

## Urban-Rural Inequality in Mexico after Nafta: A Quantile Regression Analysis

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**Abstract :** In this paper, we use Mexico's Households Income and Expenditures (ENIGH) survey to explain the behaviour that the urban-rural expenditure gap has had since Mexico's incorporation to the North American Free Trade Agreement (NAFTA) in 1994 and we compare it with the latest available survey, which took place in 2014. We use real trimestral expenditure per capita (RTEPC) as the measure of welfare. We use quantile regressions and a quantile regression decomposition to describe the gap between urban and rural distributions of log RTEPC. We discover that the decrease in the difference between the urban and rural distributions of log RTEPC, or inequality, is motivated because of a deprivation of the urban areas, in very specific characteristics, rather than an improvement of the urban areas. When using the decomposition we observe that the gap is primarily brought about because differences in returns to covariates between the urban and rural areas.

**Keywords :** quantile regression, urban-rural inequality, inequality in Mexico, income decomposition

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