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Determinants of Children's Economic Aspirations and Implications for Their Well-being

Martín Leites*, Rodrigo Nicolau† y Gonzalo Salas‡

Resumen

En este estudio examinamos los determinantes de las aspiraciones económicas de los adolescentes. A partir de microdatos del *Estudio Longitudinal del Bienestar en Uruguay*, exploramos medidas alternativas de aspiraciones económicas. Luego abordamos tres componentes fundamentales de la ventana de aspiraciones de los adolescentes: (i) las aspiraciones económicas de sus padres, (ii) el trasfondo socioeconómico familiar y (iii) los pares de los padres de los adolescentes. Finalmente, ponemos a prueba la presencia de fallas de aspiraciones y sus implicancias para el bienestar. Nuestros resultados confirman que las aspiraciones de los padres son el principal motor de las aspiraciones económicas de sus hijos. Los pares de los padres y sus creencias influyen únicamente en las aspiraciones de los adolescentes de familias de bajos ingresos. Aspiraciones más altas reducen el bienestar en el corto plazo pero mejoran los resultados intergeneracionales, aportando evidencia sobre conductas impulsadas por las aspiraciones y la persistencia de la desigualdad.

Palabras clave: Aspiraciones, creencias, bienestar, procesos de socialización

Clasificación JEL: O10, O12, O15, D30, I3

Abstract

In this study, we examine the determinants of children's economic aspiration. Drawing on microdata from *Estudio Longitudinal del Bienestar en Uruguay*, we explore alternative measures of economic aspirations. Then, we address three fundamental components of children's aspiration window: (i) parental economic aspirations, (ii) family socioeconomic background, and (iii) parents' peer. Finally, we test the presence of aspiration failures and their implications for well-being. Our results confirm that parents' aspirations are the key driver of children's economic aspirations. Peers' parents and their beliefs influence only the aspirations of children from low-income families. Higher aspirations reduce short-term well-being but enhance outcomes between generations, providing insights into aspiration-driven behaviors and the persistence of inequality.

Keywords: Aspirations, beliefs, well-being, socialization processes

JEL classification: O10, O12, O15, D30, I3

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1 Introduction

The role of economic aspirations in explaining individual earnings, income inequality, and mobility has a long history in the social sciences (Kahl 1953, Sewell et al. 1957, Sewell & Shah 1968, Bourdieu 1973, Spenner & Featherman 1978). Despite this, this topic has received less attention in the economics literature, with only a few notable exceptions (Hirschman & Rothschild 1973, Easterlin 1976). However, recent research on the psychological consequences of relative concern, deprivation, and resource instability, the relevance of belief-based utility, and adaptations to poverty has rekindled interest in this topic within economics. The growing interest in the literature has motivated new theoretical models that contribute to shedding light on the formation, dynamics, and implications of individual aspirations for well-being (Ray 2006, Dalton et al. 2016, Besley 2017, Genicot & Ray 2017, 2020).

This study has three main objectives. First, we revisit Stutzer's (2004) proposal for measuring economic aspirations and propose alternative complementary measures that mitigate some of the main criticisms of his original approach. Next, we examine the formation of economic aspirations in young people and explore the role of the aspirations window and the failures of aspirations. For this purpose, we first explore the intergenerational transmission between parents and children. Second, we investigate whether children's economic aspirations are influenced by their socioeconomic background. Third, we consider a set of beliefs that shape the formation of aspirations —particularly those concerning the link between individual effort and goal attainment—. Finally, motivated by theoretical model predictions, the consequences of economic aspirations are explored by analyzing whether they are related to short- and long-term well-being —subjective and objective.

The theoretical literature on the formation of individual aspirations exhibits several common characteristics. First, aspirations are a subset of individual preferences that serve as a basis for future-oriented behavior and action in a given situation (Bernard & Taffesse 2014). Second, aspirations are anchored to a reference state that sets goals or desired future end states (Appadurai 2004, Dalton et al. 2016). Third, aspirations shape people's incentives and motivations, influencing their intentions to invest effort or resources to achieve their goals (Appadurai 2004, Genicot & Ray 2017). Finally, social factors appear to play an important role in shaping aspirations. For example, individuals can shape their desires and goals by observing their own life experiences (Besley 2017, Genicot & Ray 2020), but also by observing the achievements and experiences of others in their immediate social environment (Bandura & Walters 1977, Genicot & Ray 2017, 2020).

Building on this literature, we conceptualize economic aspirations as forward-looking, socially shaped targets for material attainment—income, assets/wealth, or consumption standards—that orient spending or investment decisions. Two broad approaches explain how people form economic aspirations. Aspirations are the outcome of individual rational choice: people set targets to maximize their well-being, subject to a trade-off between enhancement and instrumental motives. Higher aspirations can lower contemporaneous well-being by widening the perceived distance to one's current status (enhancement cost), yet they can also raise effort and investment by strengthening incentives (instrumental benefit) (Genicot & Ray 2020). The second approach views aspirations as partly exogenous to individual decisions, shaped by social context and cultural transmission. These individuals' aspirations are shaped by their aspiration window: the context of shared life experiences to which they are exposed through proximity or similarity to others. It sets the boundary of what is desirable and realistically attainable, becoming the reference

point around which individuals establish their goals (Ray 2006, Genicot & Ray 2017). Personal history, the shape of the ambient income distribution, and local connectedness further condition aspirations, which are also path-dependent (Genicot & Ray 2017, 2020). Persistent exposure to disadvantage may narrow the aspiration window and induce aspiration failure—the systematic setting of goals below one's feasible potential—leading to underinvestment in human or physical capital (Appadurai 2004, Ray 2006, Dalton et al. 2016, Genicot & Ray 2017).

Bridging the two views, aspirations are jointly determined by family norms and resource constraints but remain partially endogenous to individuals' decisions because past choices and realized outcomes feed back into future targets Dalton et al. (2016), Besley (2017). Parents may actively shape children's aspirations, which is particularly salient during adolescence when aspirations guide forward-looking choices (Graham & Pozuelo 2023). This perspective aligns with cultural-evolution models in which children internalize traits from their parents and influential others (Bisin & Verdier 1998, 2011).

Piketty (2000) and Bourguignon et al. (2007) highlight the importance of sociocultural inequalities and their relationship with wealth inequality in explaining inequality and poverty's intertemporal persistence. These issues are directly related to the model of Ray (2006) and the notion of aspiration failures. Aspiration failure prediction is related to behavioral theories that emphasize the role of "internal" constraints derived from psychological factors. That scarcity imposes restrictions on cognitive functioning, affecting individual behavior with a potentially negative effect on long-term well-being (Mani et al. 2013, Mullainathan & Shafir 2013, Haushofer & Fehr 2014).

Despite the increasing amount of theoretical literature in the field in recent years, little empirical knowledge exists regarding the formation of economic aspirations. Although some advances have been made in measuring aspirations (Stutzer 2004, Bernard et al. 2014), no validated measure has become the standard among those who work on this issue. Furthermore, the review indicates that there is still no consensus on addressing heterogeneity in individuals' aspiration windows. In particular, there is scarce evidence regarding the empirical relevance of context in forming individuals' aspirations. To the best of our knowledge, the hypothesis regarding the presence of aspirational failures has not been empirically addressed. Furthermore, research on the formation of aspirations is limited, and even less is known about the significance of parental transmission of aspirations to their children (Lekfuangfu & Odermatt 2022).

This gap is empirically addressed by measuring and explaining the main drivers of the economic aspirations of children living in Uruguay. We used data from the Longitudinal Welfare Study in Uruguay (ELBU, by its Spanish acronym), a unique panel dataset that includes standard questions designed to measure economic aspirations and how they are formed. We use a set of variables that capture individual monetary thresholds, which serve as a reference for a desirable standard of living. The sample is representative of households with children attending the first year of public primary school in 2004 (85% of the cohort). We focus on a sample of children aged 17 to 18 years and their parents. This information corresponds to the fourth wave, which was recollected in 2015/16. Evidence about the formation of children's aspirations at this age is especially relevant because, as argued by the "hypothesis of impressionable years," this is a crucial stage of life during which individuals form beliefs that are unlikely to vary significantly in later stages (Inglehart & Baker 2000). At this stage, children begin their transition toward entering the labor market and completing (or dropping) formal education.

We study the formation of economic aspirations and how heterogeneity in the "aspiration window"

shapes them. In line with the theoretical models, we test three hypotheses about aspiration levels' drivers. First, we treat parents and family as the child's immediate cognitive world—the aspiration window—and test whether parents transmit their aspirations to children (vertical socialization hypothesis). Second, we estimate the intensity of this transmission based on parental beliefs about the social context and how others perceive them (parental beliefs hypothesis). Pessimistic parental beliefs about the chances of achieving goals are associated with lower economic aspirations of their children. This hypothesis is directly related to the aspiration failure hypothesis, which is rarely empirically tested. To broaden the aspiration window beyond the parent's household, we incorporate other socialization channels, notably parents' peer groups (oblique socialization hypotheses).

Our fourth hypothesis concerns the consequences of aspiration levels in terms of well-being. Theoretically, the relationship between the level of aspirations and well-being is ambiguous, and its empirical analysis is challenging because it involves a dynamic relationship. We examine how aspiration levels relate to short- and medium-term well-being. Aspirations are distinguished from the aspiration gap, defined as the shortfall between the aspired standard and one's current status (Ray 2006). In aspiration-based models (Genicot & Ray 2017), higher aspirations—by widening this gap for a given status—are expected to reduce short-run subjective well-being but improve medium-run objective well-being through stronger investment incentives (the well-being consequence hypothesis).

Our results confirm a strong intergenerational transmission of economic aspirations compared with the intergenerational persistence of other beliefs or preferences. An increase of 1% in the parents' economic aspirations is transformed into an increase of 0.357% in the children's aspirations. While parental aspirations are the main driver, we also confirm a positive relationship between permanent household income and children's aspirations. Meanwhile, when we address the role of oblique socialization, the results show that parents' peer groups complement the role of parents for children from lower-income households. Only for this group, the permanent income of the peers has a positive and significant association with the aspirations of the children. Parents' beliefs also matter in explaining children's aspirations. Parents who have suffered discrimination or negative stigma tend to have children with lower economic aspirations. Finally, we assess whether the children's aspiration gap affects, in the short-term, their subjective well-being and whether the parental aspiration gap generates intergenerational effects that impact their children's objective well-being. In agreement with theoretical predictions, we found that a larger aspiration gap in children reduces their satisfaction with their economic situation. To assess the long-term effect, we compared the parents' aspiration gap with their children's household performance in terms of poverty and attendance at formal education. A negative relationship was found between the magnitude of the aspiration gap and the probability of remaining in poverty. This indicates that parents' aspirations may be relevant in explaining future well-being outcomes. In addition, we found that an increase in parents' aspirations over time positively influences the probability of school attendance; however, we did not find an association between this outcome and the aspiration gap. Although our research design does not allow us to establish causality, this is one of the first studies to provide robust evidence for the four proposed hypotheses using a unique and coherent framework, along with multiple measures of economic aspirations.

These findings contribute to three strands of literature. First, we contribute to the empirical literature on aspiration formation by providing evidence to determine whether it is an individual decision or is

determined by the context. Recently, Lekfuangfu & Odermatt (2022) reported a link between children's occupational and educational aspirations and their parents. Other studies have shown that aspirations increase with income (Stutzer 2004, Easterlin 2005, Ferrer-i Carbonell & Van Praag 2008, Castilla 2012) and depend on the outcomes of reference groups (Clark & Oswald 1996, Luttmer 2005, Clark & Senik 2010, McBride 2010). Bernard et al. (2014) concludes that the trajectories of successful peers increase aspirations. Research has shown that housing programs in slum neighborhoods increase neighbors' housing aspirations in the short term, but these effects disappear over time (Galiani et al. 2021). An increase in aspirations has also been found among young people who receive training or exposure to individuals with greater resources and among women who participate in empowerment programs (Carrasco et al. 2021, DeJaeghere et al. 2022). Social protection has also been found to mitigate the adverse effects of natural disasters on aspirations (Kosec & Mo 2017). Other studies employ experimental designs and indirectly investigate aspiration formation by examining the effects of peer information treatments on satisfaction with different domains (McBride 2010, Card et al. 2012).

This article expands the existing empirical literature and provides new evidence for a middle-income country regarding the role of contextual and individual characteristics in the formation of young people's economic aspirations. Our findings confirm the importance of the family in the development of children's aspirations. The main driver is the transmission of aspirations from parents to children, with oblique transmission playing a lesser role. Indirectly, our paper is related to the empirical literature on the intergenerational transmission of beliefs, social norms, preferences, attitudes, and values (Bisin & Verdier 2000, 2011, Dohmen et al. 2012, Albanese et al. 2016). These findings improve our understanding of the relevance of sociocultural inequalities and their effects through intergenerational transmission in explaining the persistence of inequality.

Second, this study contributes to the literature on the consequences of aspiration levels. Theoretical models establish an ambiguous relationship between aspirations and well-being due to self-improvement and enhancement motives. Some models predict a trade-off between aspiration levels and short-term subjective well-being, which could reverse in the long term. These predictions are directly related to the hypothesis of aspiration failure, which has primarily been addressed theoretically. Some empirical studies provide evidence on the role of aspiration in shaping future-oriented behavior and affecting well-being. Higher economic aspirations decrease subjective satisfaction (Easterlin 2005, Ferrer-i Carbonell & Van Praag 2008, Di Tella et al. 2010, Pudney 2011). There is also evidence of adaptation to aspirations, where aspirations decline following failure experiences (Dalton et al. 2018). The beliefs held by significant adults play a crucial role in shaping the aspirations of young people. For example, Azmat et al. (2025) demonstrates that women's aspirations regarding career paths and work decisions can be influenced by experiences of social discrimination in the workplace, reducing their willingness to exert effort. Similarly, Carlana (2019) shows that teachers' stereotypes significantly impact student performance and aspirations within a school setting. Low aspiration levels are associated with fatalistic beliefs, particularly among economically disadvantaged individuals who perceive themselves as having low self-efficacy and an external locus of control (Bernard et al. 2014).

This study contributes to the literature by addressing the hypothesis of aspiration failure in a developing country, where these issues could be a significant problem. In addition, it addresses the short-term and intergenerational implications of gaps in aspiration. This study provides new evidence on how con-

textual adverse situations, combined with unfavorable beliefs about the causal connection between their actions and outcomes, reduce economic aspirations. To the best of our knowledge, this is the first study to exploit a panel data set to systematically and jointly address the formation of individuals' preferences and their short- and long-term welfare consequences. These pieces of evidence support the potential relevance of these mechanisms in explaining the existence of mobility traps, poverty, and efficiency losses in the aggregate well-being.

Finally, this paper is related to the literature that has proposed methods for measuring aspirations. There are two main strands of literature on the measurement of aspirations. The first group explores aspiration formation through direct self-reported measures (Stutzer 2004, Castilla 2012, Bernard et al. 2014, Azmat et al. 2025). The second group, related to the happiness literature, indirectly measures aspirations using self-reported satisfaction (Senik 2004, Easterlin 2005, Ferrer-i Carbonell & Van Praag 2008, Clark & Oswald 1996, Luttmer 2005, Clark, Kristensen & Westergård-Nielsen 2009, Clark, Westergård-Nielsen & Kristensen 2009, Clark & Senik 2010, McBride 2010, Di Tella et al. 2010, Pudney 2011). In this study, we revisit Stutzer's proposal for measuring aspirations and suggest alternatives to address the criticism of Stutzer's aspiration measures. Specifically, we used the respondents' reported income who declared a very good income as a measure of maximum aspirations. This income category had not previously been considered a measure of aspirations. Additionally, we use the income that individuals deem sufficient, which has been employed as a proxy for minimum aspirations. Moreover, we assess the consistency of our measures of economic aspirations by examining alternative related measures and their relationship with respondents' reported experience of utility.

The remainder of this paper is organized as follows. We start with a concise conceptual framework in Section 2, which helps to define the main hypotheses tested in the study. Then we describe the data and define the main variables in Section 3, and we show the estimation procedure in Section 4. The results showing whether our measure of aspirations is adequate, the main drivers of economic aspirations, and the role played by aspiration failures are presented in Section 5, while the consequences of economic aspirations on different outcomes are discussed in Section 6. Finally, we summarize the main conclusions in Section 7.

2 Conceptual framework

The modeling of economic aspirations usually starts from a reduced-form utility function that depends on the aspirations gap, namely, the difference between the individual's current state and their economic aspirations. Ray (2006) argues that this gap — not aspirations *per se* — affects future-oriented behavior. Agents may have aspirations in different dimensions (Genicot & Ray 2020), but we only consider economic aspirations $a_{i,t}$, which are the core of our research question. In our context, the reduced-form utility function is:

$$u_{i,t}[y_{i,t}, a^g_{i,t}] = u_{i,t}[y_{i,t}, a^g_{i,t}(a_{i,t} - y_{i,t})] \tag{1}$$

where u is the utility function of the agent i', which depends on the state y_t, in our case, his income, and

$a^g_{i,t}$ is the aspiration gap at time t.[1]

In our context, aspirations represent a realistic and attainable income target. It is determined by the current and past achievements of the individual i, which we reflect on his permanent household income (y^*); his past aspirations ($a_{i,t-1}$); and the income distribution in society and his position [$F(y_{i,t}, y_{-i,t})$]. Genicot & Ray (2020) argues that individual experiences and achievements play an indirect role because they truncate (or extend) F within a certain "window." In other words, the immediate context in which the agent is located shapes his or her "aspirations window" (Genicot & Ray 2020). This window establishes the individual's cognitive world, their social environment of "peers," and "attainable" individuals with similar previous trajectories, which we refer to as $-i$. This could include his family, friends, colleagues, the entire society, or individuals far richer (or poorer) than he is. For each child, that social group is their reference for interpersonal comparisons, information access, and sharing experiences. Therefore, people observe others' achievements and experiences in their immediate environment to shape their desires and goals (Bandura & Walters 1977, Genicot & Ray 2017).

Ray (2006) posits that the dimensions and composition of the aspiration window vary among individuals. First, the characteristics of these aspiration windows are influenced by the familial position within the income distribution (Genicot & Ray 2020). Second, variations in aspiration windows may be attributed to the child's socialization processes. These processes may occur vertically, where parents tend to pass on their cultural values, norms, and preferences to their offspring (Cavalli-Sforza & Feldman 1981, Bisin & Verdier 2001*b*,*a*). Economic aspirations are notably significant in shaping individual behavior. Despite the potential transmission of parental preferences, parental aspirations serve as a natural benchmark for shaping children's aspirations. They constitute a core part of the child's immediate cognitive realm and contribute to their aspiration window. In addition, oblique or horizontal socialization processes represent an alternative mechanism that influences aspiration windows. For instance, schoolmates and their families are inherently integrated into the children's aspiration window.[2]

Previous literature has not resolved whether individual behavior is driven by aspirations per se or by beliefs about oneself (Genicot & Ray 2020).[3] This discussion is relevant in our context because parents' beliefs may constrain the formation of children's aspirations in two ways. On the one hand, social context beliefs affect the size and composition of the children's aspirations window. Differences in aspiration window width imply that individuals have an incomplete view of the income distribution (incomplete information about F) that affects their aspiration levels. This is directly related to type I aspiration failures identified by Ray (2006), which occur when agents with low social origins exclude agents with high social origins from their aspiration window. In this case, the economic aspirations are low because they only know of others with low incomes and aspirations. Consequently, the aspiration gap is low, as are individual incentives for future investments.

On the other hand, Ray (2006) argues that the composition of the aspiration window is not the only

[1]This framework focuses on the previous theoretical model of aspiration formation. Other determinants of well-being are not included in the model to ensure greater model parsimony.

[2]This mechanism is more common in the literature about aspirations (Clark & Oswald 1996, McBride 2001, Luttmer 2005, Ray 2006, Clark & Senik 2010, La Ferrara 2019). Stutzer (2004) indicates that humans cannot make absolute judgments by constantly comparing their environment, past experiences, or expectations. In this context, aspirations are influenced by 'relevant' peers in the community (Ray 2006).

[3]Mukherjee (2017) empirically identifies this difference using an experimental design to study children's educational performance.

determinant in the formation of aspirations and highlights the relevance of beliefs about real opportunities and the returns on their actions. He argues that agents with low social origins can include individuals located at the top of the income distribution in their aspiration windows (complete F), but they feel discouraged if they perceive the goal to be unattainable. In this case, the low chances of success are internalized to avoid frustration and then transformed into low individual aspirations. This is identified as type II aspiration failure. In this context, children's aspirations can, to some extent, be deliberately managed by parents' goals and, in this way, motivate their children (Besley 2017). The transmission of parental beliefs could be based on their "beliefs about themselves" – e.g., their ability to achieve results. Based on previous experience or cultural norms, people may believe that hard work pays off or that they can exercise some degree of control over their destiny. Parents could also affect children's aspirations based on "beliefs about how others see them." For example, on suffering experiences of stigma or discrimination. These issues are present in Ray (2006), which emphasizes the role of social interaction in aspiration formation.

To consider these aspects, we postulate that the influence of F on economic aspirations is conditioned by the beliefs of parents (B_p):

$$a_{i,t} : \psi[y_i^*, a_{i,t-1}, F(y_{i,t}, y_{-i,t}|B_p)] \tag{2}$$

We studied the formation of aspirations in 17- and 18-year-old children. This is a critical stage in which key decisions are made regarding future engagement with formal education and the labor market. Therefore, these are children with little or no work experience, whose peers probably have similar levels of work experience. Consequently, aspirational trajectories provide little information about current aspirations. In this framework, we postulate that the point of origin in the formation of children's economic aspirations ($t-1=0$) is mainly determined by what they observe from their parents' aspirations ($a_{p,t}$) and the outcomes of their peers' parents, e.g., their permanent income (y^*_{-p}). Therefore, we must:

$$a_{i,t-1} = a_{i,0} = \nu(a_{p,t}, y^*_{-p}) \tag{3}$$

These three equations allow us to introduce the three basic aspects of the anatomy of aspiration formation that are relevant to this study. First, this framework emphasizes the key roles of social determinants, social interactions, and the (truncated) income distribution. Second, individuals' aspirations are dynamic phenomena that pose a great challenge in measuring them and indicate the key role of parental aspiration. Finally, the reduced-form utility function allows us to discuss the 'implications of changes in individuals' well-being related to their aspirations. From a static or short-term perspective, a higher aspirations gap is associated with a lower utility when subjective well-being is a proxy for experienced utility [$\frac{\delta u_{i,t}(y_{i,t}, a^g_{i,t})}{\delta a^g_{i,t}} < 0$]. In other words, given $y_{i,t}$, a higher $a_{i,t}$ directly reduces contemporary individual well-being or happiness.

To incorporate long-term dynamics, we assume that each individual represents a family, where past aspirations correspond to those of the parents, and long-term outcomes refer to the achievements of their children. This entails an adaptation of equation (1), where utility pertains to the children and the

aspiration gap to their parents, identified by the subscripts i and p, respectively. For empirical convenience, these variables are also collected at two time points, identified by the subscripts t and t–1 ($u_{i,t}[y_{i,t}, a^g_{p,t-1}]$). From a long-term or intergenerational perspective, the theory suggests an ambiguous sign of the relationship between the objective well-being of children and the aspirations of parents [$\frac{\delta u_{i,t}(y_{p,t-1}, a^g_{p,t-1})}{\delta a_{p,t-1}} = ?$]. Because we are concerned with the intergenerational relationship, we include in the arguments of the partial derivative the parents' income (y_p) and the parents' aspiration gap (a^g_p). Higher aspirations without income improvements can reduce the objective well-being of children due to the frustration of not obtaining the expected results and the potential transmission of low expectations to their children [$\frac{\delta u_{i,t}(y_{p,t-1}, a^g_{p,t-1})}{\delta a_{p,t-1}} < 0$]. However, whether the increased effort of parents has returns and improves their household income could imply a direct gain in well-being for their children (via greater household resource endowment) and an indirect gain due to the intergenerational transmission of the idea that effort pays off, thereby affecting their children's behavior (via, for example, the incentive to accumulate more human capital) [$\frac{\delta u_{i,t}(y_{p,t-1}, a^g_{p,t-1})}{\delta a_{p,t-1}} > 0$]. This is consistent with the idea that parents' aspirations are a critical driving force in shaping child expectations and goals, as well as their outcomes (Besley 2017).

Hypotheses. This basic framework also helps us postulate our main hypotheses and the econometric model presented in Section 4. Our empirical analysis tests three hypotheses about the drivers of aspiration for a sample of children at an age when they shape their economic aspirations. The first hypothesis is that the differences in economic aspiration between individuals are largely related to the aspiration level of their parents, which aligns with their key role in the aspiration window [H.1a: vertical socialization hypothesis].

The vertical socialization process can be nurtured and indirectly affected by the structural conditions of life, which we approximate through the household's permanent income. An alternative mechanism for forming children's aspirations is oblique socialization through peers' parents. The economic situation of peers' parents constitutes an additional reference to which children could "look," "compare," and seek to "imitate." These socialization processes could be competing mechanisms. They have rarely been investigated using a unified empirical framework. The role of direct vertical socialization (parents' aspirations) is hypothesized to diminish when indirect vertical socialization (via permanent income) or oblique socialization (via the permanent income of peers' parents) is considered in the empirical model [H.1b: oblique socialization hypotheses]. We also address the role of the aspiration window in the level of aspiration through individuals' incomplete perceptions of income distribution. Parents' misperceptions of income distribution indirectly reflect a limited aspirations window. We assume that the issue explains the individual's misperception about their position in the income distribution, as she/he focuses on similar-household individuals and does not interact with people from different socioeconomic strata—resulting in a low diversity of aspiration windows. As Ray (2006), when F includes people with low (high) income, the individual i will choose low (high) aspirations [H.1c].

Second, parents' beliefs about how society works are relevant drivers of their preferences and behavior, and mediate the intergenerational transmission of economic aspirations. We postulate that optimistic (pessimistic) beliefs about the economic returns generated by effort (or by making decisions in different life domains) have a positive (negative) association with children's aspirations. These beliefs are relevant for individuals to set realistic and achievable income targets. For example, when an individual perceives a low chance of success (low luck in economic results in their past life) or anticipates being treated un-

favorably (discrimination or stigma), they are discouraged and prefer to reduce their aspirations (Piketty 1998). This situation exacerbates their beliefs about what "their children can aspire to," and we hope that this reinforces the role that parents have obtained throughout their lives (permanent income) in forming their children's aspirations [H.2].

The third group of hypotheses refers to the consequences of aspirations for the well-being of individuals. In this case, we explore the role of aspiration in short term - life satisfaction - and intergenerational term - poverty and school attendance. We seek to test the hypothesis extended in the literature about the trade-off between subjective well-being losses in the short term, as a consequence of the frustration generated by having very high aspiration gaps, and objective well-being gains in the medium and long term, as a consequence of the incentives that create high aspiration gaps through their influence on effort decisions, which help to close those gaps [H.3].

3 Data

3.1 Data source

Estudio Longitudinal del Bienestar en Uruguay (ELBU). We use survey data from ELBU, a longitudinal study that follows a representative sample of urban Uruguayan households (87% of the country's population) with children who attended the first year of public primary school in 2004 (85% of the cohort for that year). High-income households that send children to private schools are underrepresented. We mainly used data from the fourth wave of data collected in 2015/16. We also consider the first and third waves collected in 2004 and 2011/12 to construct some variables, such as permanent household income.[4] To study the intergenerational transmission of economic aspirations, we exploit information reported by parents and their children in separate face-to-face interviews. While parents were surveyed in all waves, children were interviewed for the first time during the fourth wave, when most had turned 18 years old.

The survey collects information on households' socioeconomic characteristics, such as income, labor, education, and health, as well as a wide range of questions regarding individuals' well-being, attitudes, perceptions, and personality traits. For more details on ELBU, see Leites et al. (2024).

Sample selection. 3,062 households were interviewed during the initial wave. In subsequent rounds, this number decreased to 2,138 and 1,564 in the third and fourth waves, respectively. Thus, the panel attrition across rounds is 69% between the first and third waves and 51% between the first and fourth waves. However, no substantial differences in socioeconomic characteristics exist between attrition and non-attrition households.[5]

Our final sample consisted of 1,564 non-attrition households. We further restrict it to 1,103 households where both adults and children participated in the survey. Finally, we retain households in which both parents and children answered the economic aspirations module and provided responses for other relevant variables. Consequently, our final sample includes 749 households with parent-child pairs.

[4] We do not use the second wave, conducted in 2006, because it did not cover the whole country (it focused only on the capital, Montevideo).

[5] Leites et al. (2025) shows that attrition and non-attrition households were similar in terms of age, family income, region, overcrowding, household size, number of siblings, and height-for-age of children. The only difference is that households that remain in the study are more likely to have more years of education.

Descriptive statistics. Table A1 in the appendix presents the basic descriptive statistics for households, parents, and children in the final sample. Our sample comprises mothers (94%) with secondary education (57%) who are between 40 and 50 years of age. Given the original definition of the sample, households with children who, in 2004, attended the first year of public school and, in the fourth wave, are between 17 and 18 years old. Most are studying (64%)[6], and 25% are employed. Just over 10% have left their parents' home.

3.2 Measuring economic aspirations

How to measure individuals' economic aspirations remains an open debate within the economic literature. Although several studies have proposed different alternatives (e.g. Bernard et al. 2014), they often encounter several challenges that are difficult to overcome (Lybbert & Wydick 2018, Bernard et al. 2014, Bernard & Taffesse 2014). First, aspirations are not directly observable. Second, aspirations are based on a reference point and shape future-oriented behavior. Third, aspirations might not be constant over time; they might follow unstable or path-dependent patterns. Finally, aspirations are multidimensional: individuals might have educational, social status, wealth, or economic aspirations, etc.

To address these challenges, we focus on economic aspirations by adopting a one-dimensional key measure. To estimate such aspirations, we revisit the proposal by Stutzer (2004) and show alternative minimum and maximum aspiration measures based on individuals' reported income considered to be sufficient and very good for their households, respectively. Instead of providing a unique data point, this strategy enables the determination of a range of feasible reference points over which individuals set their aspirations toward a desired and challenging income goal.

Revisiting Stutzer's (2004) measures

Stutzer (2004) provides two questions to measure economic aspirations. The first relates to the minimum income that individuals think is needed to cover the needs of a basic household to avoid poverty by asking, "What household income per month would you consider an absolute minimum to make ends meet and without running into debt, even if you reduce your needs to a minimum?" We refer to this measure as *minimum-income-needed*. The second refers to the income that individuals consider sufficient for their own household, based on the following question: "What income would you indicate as good or bad in your circumstances? Please try to state what income per month (before taxes) for the entire household you consider to be sufficient."[7] We refer to this measure as *sufficient-income*. In addition to asking for a "sufficient" income, the same question is asked regarding other income levels, namely, "very bad," "bad," "insufficient," "good," and "very good." However, the author does not refer to the latter set of levels as "aspirations."

In our setting, we slightly adapt and translate these questions to better suit our context. Furthermore, we choose the sufficient-income measure as a proxy for *minimum aspirations* and the very good-income

[6] In Uruguay, compulsory education extends from age 4 to the completion of upper secondary school, typically at around age 18. The minimum legal age to leave school coincides with the end of compulsory education. Nevertheless, completion rates are low: in 2019, only 42% of young people aged 21 to 23 had completed secondary education (INEEd 2020).

[7] Note that the first question refers to a *hypothetical household*, while the second question refers to a *household like yours*.

question as a proxy for *maximum aspirations*. We propose this alternative "bounded" measure for the following reasons. First, both questions used to identify the lower and upper bounds have the advantage of referring to individuals' own households instead of a hypothetical case. We argue that this allows people to better locate themselves within their own context when thinking about and answering the questions.

Second, the measures proposed by Stutzer (2004) are often criticized in the literature for not reflecting a challenging future goal for individuals to achieve. In particular, Bernard & Taffesse (2014) noted that the actual reported household income is often higher than the aforementioned measures. For example, in Stutzer (2004) the average aspiration-income ratio is 0.65 with sufficient-income and 0.74 with minimum-income-needed. In our data, these ratios are 0.70 with minimum aspirations (or sufficient-income) and 1.04 with minimum-income-needed.[8] Additionally, with maximum aspirations (or very-good income), the ratio is 1.42. Although our lower bound measure represents a similar aspirations-income ratio, the additional upper bound measure of maximum aspirations has the potential to reflect not only a realistic but also a more challenging income goal for households to aspire to.

Third, economic aspirations should not only be challenging but also achievable through exerted effort. In Section 5.1, we further show that maximum aspirations exhibit a desirable set of characteristics. They are above other income lines, including the official national poverty line. Moreover, they are positively correlated with more ambitious goals, the belief that achieving these goals requires responsibility and effort, and the belief that one should exert more effort to achieve them. Finally, while minimum aspirations do not change much across the income distribution, the higher a household's income, the higher their maximum aspirations.

Nonetheless, the measure of maximum aspirations has a potential problem—one that the minimum aspirations measure does not have—since individuals might not necessarily desire to obtain a very high household income. The questions do not ask whether they desire to obtain the "very good income" level reported by their household. Therefore, maximum aspirations are not a sufficient measure of economic aspirations by themselves. Therefore, we assume that "true" economic aspirations lie between these maximum and minimum thresholds or are sufficiently correlated with them. This broad and flexible interval approach allows us to gain a more comprehensive measure of income aspirations across the income distribution. We consider the minimum and maximum aspiration measures as adequate proxies for the "true" economic aspirations. Table 1 summarizes the available aspiration measures and their use in this article.

Table A2 in the Appendix presents the descriptive statistics for these variables. We adjust responses for inflation, in current Uruguayan pesos, and convert them to dollars. For parents, the average minimum and maximum aspiration values are $1,012 and $1,998, respectively. For children, the values are $757 and $1,525. In both cases, the maximum aspirations are twice the minimum, whereas parental aspirations are just over 30% higher than those of their children's.

[8]Note that these average ratios might mask differences between parents and children. For example, the minimum aspiration ratio is 0.59 for children and 0.80 for parents. The differences are more pronounced with the minimum-income-needed; the ratios are 0.87 and 1.20, respectively.

Table 1: Availability and use of economic aspiration measures

Baseline variables	Available in		Aspirations measure		
	t or $t-1$	Parents or Children	Principal estimations	Consequences in well-being	Robust analysis [other potential measures]
Sufficient-income (Min. Asp.)	t	Yes, in both	✓	✓	
Very good-income (Max. Asp.)	t	Yes, in both	✓	✓	
Good-income	t	Yes, in both			✓
Minimum-income-needed	t	Yes, in both		✓	✓
	$t-1$	Only parents		✓	

Note: t refers to the fourth wave (2015/16), whereas $t-1$ refers to the third wave (2011/12). Other variables mentioned in this section (such as very bad-income, bad-income, and insufficient-income) do not adequately measure aspirations and are therefore not included in this table.

Absolute vs. relative measures

In our analysis, we used both the absolute levels of each income line (deflated to July 2012) reported by the respondents and the rankings of aspirations across the distribution of the respondents to test the robustness of our results. The main concerns of this study are the problems of the "future-oriented target" related to *minimum aspirations* and the problem of the "desired target" for *maximum aspirations*. These measurement errors are assumed to be larger when these variables are used in levels. The ranking measure provides an ordinal measure of economic aspirations that strongly correlates with the "true" economic aspirations. In this relative measure, we identify the relative position of the family i in the distribution of economic aspirations for each child and parent cohort. Note also that this ranking measure mitigates the problem of potential measurement error.[9] This strategy addresses our concern if the measurement error does not produce aspiration level rearrangements.

3.3 Additional variables

We present additional variables used to analyze the formation of economic aspirations in children. These additional variables refer to the role of children's aspiration windows, as well as the role of other parents' beliefs, as a proxy for aspiration failures, such as opinions about the role of effort in economic success. Table A3 in the Appendix presents the descriptive statistics of these variables.

First, in ELBU, we can identify the parents of their children's classmates when they attended the first grade of primary education (we do not have the composition of the groups in the later grades). This allows us to consider another form of socialization. For this reason, we consider the outcomes of the parents of children's classmates (oblique socialization).

As outcome measures, we use permanent income (the average per capita income of three waves included in the period 2004-2016) to provide more structural information on other adults that children can "look at." To construct the averages, we excluded the income of the parents themselves.

Second, as a direct measure of the breadth and diversity of the aspiration window, we use individuals' income misperception. Following Kapteyn et al. (1978), we assume that individuals evaluate their relative income by comparing it with the perceived distribution of outcomes.[10] The assumption is that the poorer the peer group—and therefore the lower the reference income—the more individuals tend to

[9] This argument is based on the literature on intergenerational mobility, which uses income ranks to measure permanent incomes (Nybom & Stuhler 2017).

[10] This type of variable has been previously employed in the literature on economic happiness and preferences for redistribution as a measure of perceptions of income inequality.

overestimate their relative position in the overall distribution. Conversely, when individuals compare themselves to higher-income peers, they are expected to underestimate their position. This approach allows us to introduce heterogeneity into children's aspiration windows.

In our sample, most parents have a misperception of their income, close to 90%, considering the difference between the actual decile that parents occupy in the income distribution and the position they perceive themselves to occupy on a ten-level ladder that reflects income in society. For our empirical analysis, we build two indicators that allow us to identify when parents overestimate or underestimate their incomes. To achieve this, we consider the distance between the actual and perceived positions in the income distribution in terms of the actual positions they occupy. We use the Continuous Household Survey to identify the income threshold for each actual decile to obtain representative information for the entire country. While the relative distances by which income is underestimated are small (the mean is 0.06), the relative distances by which it is overestimated are much higher (the mean is 1.54).

Finally, we consider four dichotomous variables to measure parents' beliefs about the role of effort in different life dimensions. First, we use a locus of control question to obtain binary indicators regarding (i) whether effort is thought to be the main determinant of getting ahead in life, as opposed to luck; and (ii) whether individuals determine the outcomes of their lives, as opposed to destiny. More than 50% of the parents in our sample believe that hard work pays off, and approximately 80% think they control their destiny. Second, based on the questionnaire developed by Zavaleta Reyles (2007), we identify whether parents have suffered discrimination or felt ashamed, and subsequently, parents' beliefs about how others perceive them. Approximately 20% of the parents in our sample reported having felt discrimination at least occasionally. Concerning the feeling of shame, approximately half of the parents in our sample have an above-the-mode score on an index measuring the feeling or having felt ashamed.[11]

4 An econometric model to explain economic aspirations

Our empirical model references the equation (2) and aims to explain children's economic aspirations. Considering the impressionable years hypothesis, the dependent variable identifies aspirations at a stage when they are in formation. At this age, children are just entering the labor market, as they are receiving their first paychecks (with the expectation that they will improve in the future) and do not have much experience in the labor market. For this reason, our empirical model does not incorporate individuals' past aspirations a_{t-1} and focuses on the role of the aspiration window.

Since we want to test the importance of the aspirations of parents on those of children, our baseline specification is inspired by the empirical strategy used in the literature on intergenerational income mobility to explore the intergenerational transmission of economic aspirations. We use equation (4) to explore the role of the aspiration window and estimate the intergenerational transmission of aspirations.

$$A_{ch} = \beta_0 + \beta_1 \cdot A_p + \beta_2 \cdot \overline{Y^*_{-p}} + \beta_3 \cdot M^O_p + \beta_4 \cdot M^U_p + \delta \cdot Y^* + \gamma \cdot X + \mu_{ch} \tag{4}$$

[11] Further details on these additional variables and their corresponding survey questions, in the Spanish version, are available in `https://doi.org/10.60895/redata/JFXCLA`.

where A_{ch} and A_p identify the logarithms of the economic aspirations of children and parents, respectively. Our parameter of interest is β_1, which provides an average measure of the strength of intergenerational transmission (or the intergenerational persistence coefficient) and summarizes the role of the immediate aspirations window. Y^* is a proxy for permanent household income, measured in logarithms. Permanent income is defined as the household's long-term economic capacity and is approximated by the average household income across the survey waves. This indicator provides the same information for both parents and children. X are other control variables associated with the household and sociodemographic characteristics of the children and their parents. We complement the equation (4) by adding two types of variables, proxies of the aspiration window and diversity of aspiration windows. For the first case, we include the average permanent income of parents' peer groups ($\overline{Y^*_{-p}}$). For the second case, we add two variables that reflect the parents' income misperception. The first collects, when it exists, the magnitude of the overestimation (M_p^O), and the second the underestimation (M_p^U) of the position in the income distribution. If we assume that $\beta_{i\neq 1} = \delta = \gamma = 0$, as is usual in the intergenerational income mobility literature, β_1 captures the direct relationship of parents' aspirations as well as the indirect relationship with other variables correlated with the parents' economic aspirations. Our baseline estimates are based on Ordinary Least Squares.

Estimates of the parameters of equation (4) allow us to test the main hypothesis of this study. First, there is a high positive correlation between parents' and children's economic aspirations – $\beta_1 > 0$ – and it is statistically significant (H.Ia). Second, higher permanent household income and the permanent income of peers' parents increase children's aspirations – $\beta_2 > 0$ and $\delta > 0$, both statistically significant – and diminish the importance of parents' aspirations concerning the previous estimation that only includes this variable (which summarizes the entire children's socialization process) (H.Ib). Third, the misperception associated with income overestimation (or underestimation) reduces the aspirations window because it reflects that parents "primarily" observe other poorer (or richer) individuals and, therefore, decrease (or increase) their aspirations – $\beta_3 < 0$ ($\beta_4 > 0$) (H.Ic).

Equation (4) does not include the parents' beliefs and represents an unconditional version of equation (2). In the second step, we consider whether parents' beliefs affect children's aspirations. In addition to these beliefs, the specification includes an interaction between parents' beliefs and permanent income. This allows us to test the hypothesis (H.2) that aspiration formation may be affected by previous life experiences that impact the perception of the return on effort (see equation (5)). For example, as we mentioned in subsection 3.3, parents could believe that economic success in their lives is a consequence of hard work ("the world is just") and, therefore, they should give incentives to their children, via higher aspirations, to exert "the same" effort that they do. However, when people believe that their efforts do not pay off or perceive that they will be discriminated against, they may transmit lower economic aspirations. In this case, we incorporate variables that identify whether the parents had these beliefs (B_p).

$$A_{ch} = \beta_0' + \beta_1' \cdot A_p + \delta' \cdot Y^* + \gamma' \cdot X + \alpha_1 \cdot B_p + \alpha_2 \cdot B_p \cdot Y^* + \mu_{ch}' \tag{5}$$

The sum of the parameters α_1 and α_2 indicates the differential effect on the children's aspirations that parents believe B_p for those with the mean income. To test our hypothesis, we compute the specific effects for each permanent income decile to show the results across the entire distribution.

5 Results

5.1 Are our measures proxies for economic aspirations?

As mentioned above, aspirations are not observable, and there is no consensus in the literature on a single best-practice approach to this phenomenon (Stutzer 2004, Castilla 2012, Bernard et al. 2014, Azmat et al. 2025). According to the literature, measures selected to approximate economic aspirations should include several desirable criteria. First, it should show strong correlations with measures used in the previous literature and other variables associated with individuals' aspirations across different dimensions. These variables should reflect individual aspirations at a given time. Finally, they should behave as expected for a related set of socioeconomic and attitudinal variables. To address this challenge, we construct variables that establish lower and upper bounds for economic aspirations. In this subsection, alternative strategies and information are used to assess whether our baseline variables of economic aspirations successfully meet these desirable criteria.

Aspirations and income perceptions of different social classes

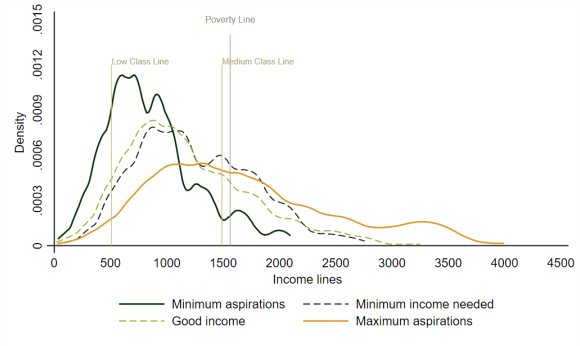
Figure 1 shows the empirical distribution of the baseline aspiration measures. In addition, it includes two potential alternative measures, namely minimum-income-needed and good-income. As complementary information, it incorporates both subjective and objective benchmarks. It reports the average value of the official national poverty line and the average subjective monetary threshold that people believe is necessary to belong to each social class (low- and middle-class). Panel (a) shows the responses of the children, whereas panel (b) shows these variables for the parents.

The distributions of children and parents are similar, although the density of the parents is shifted to the right. Responses regarding minimum aspirations are concentrated between the average lines of lower- and middle-classes. This measure establishes a minimum threshold to fulfill the desired objective. However, it is a limited measure because it hardly refers to a future-oriented economic state that people would be willing to exert effort to achieve. In contrast, the maximum aspirations measure might account for this aspired economic situation since, as seen in the graph, it lies above the average threshold that people consider necessary to belong to the middle class. Furthermore, the maximum income reported by the household differs from the thresholds that individuals identify as higher-class and middle-class income, suggesting that such a measure actually refers to the needs and objectives of their household. Furthermore, we can rule out that this maximum income threshold is completely unrealizable because it is lower than the threshold indicated for belonging to the higher class.

In summary, the minimum and maximum aspiration measures capture individual-level heterogeneity for both parents and children. They establish consistent benchmarks and other relevant references related to household well-being. These results reinforce the use of these variables to measure the range of economic aspirations.

Figure 1: Kernel Densities of the Aspiration Levels

(a) Children



(b) Parents

The measures of aspirations and different lines of social classes and poverty expressed in dollars. The threshold that determines the income of each social class is built from the average responses of the interviewees based on the question, "How much do you think a family of (social class) earns approximately per month." We exclude the higher class line so that the figure can be better visualized because its value is far from the maximum aspirations density's highest point. The poverty line represents the average official value in Uruguay. Table A2 in the Appendix presents the descriptive statistics for the different aspiration measures.

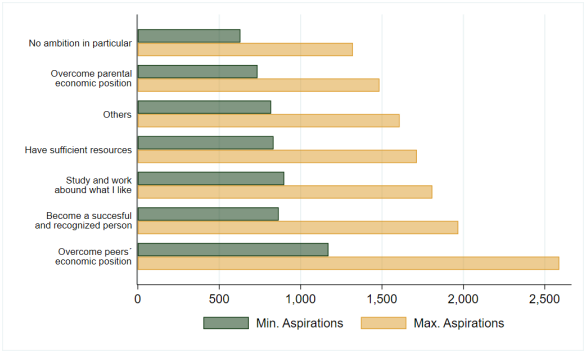
Aspirations and desirable future-oriented objectives

An adequate measure of aspirations must be correlated with the desirable, future-oriented objectives that people set for themselves. The child was asked about the goals that they want to achieve by the age of 30. The relationship between these goals and economic aspirations is shown in panel (a) of Figure 2. Those who report that they do not have a particular ambition are children with lower economic aspirations. At the other extreme, those who demonstrate higher aspirations respond by overcoming their peers' economic positions. Furthermore, among those who set goals, individuals with the lowest aspirations declare that their goals are to have sufficient resources or to overcome their parents' economic positions. These answers are relevant because they show that those with higher economic aspirations also report more demanding goals and that they look to their peers for comparison.

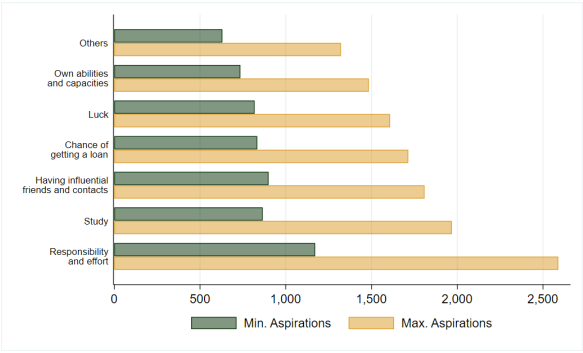
Panels (b) and (c) of Figure 2 show the association between aspirations and children's responses regarding what they need to achieve the above-mentioned goals and what they must change to achieve them. Observe that the highest aspirations correlate with responses linked to one's own decisions or actions: in the first case, "responsibility and effort" or "study," and in the second case, "be responsible and give maximum effort" or "better performance in school." It is interesting to examine these responses in contrast to others where the circumstances are relevant, such as "having influential friends and contacts" or "luck" ("improving environment and friends" and "having luck" in the second case). This shows that those with high aspirations believe that they have develop actions to achieve their goals.

Figure 2: Children's Economic Aspirations and Desired Future-oriented Objectives (at 30 years of age)

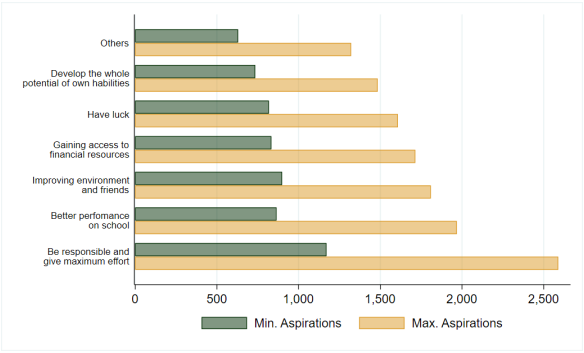
(a) Goals



(b) Element to achieve them



(c) Change



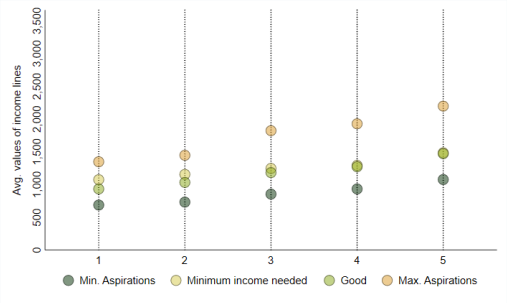
The figure shows children's expectations about their own future. Based on the statement 'If you had to define a goal for when you are 30 years old', the variable *Goals* is defined from the question 'Would you like to…?'; the variable *Element to achieve* arises from the question 'What is the most important element to achieve it?' and refers to the aforementioned goal; finally, *Change* corresponds to the question 'What would you have to change to achieve it?'.

Aspiration and household characteristics

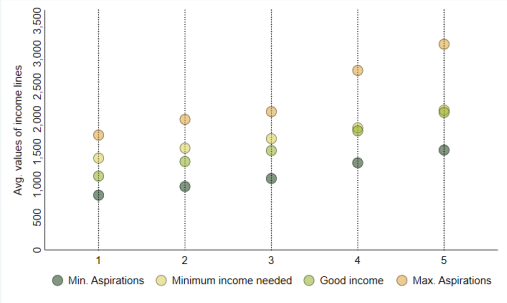
In Figure 3, we show how our baseline measures of parents and children's economic aspirations are associated with the different permanent income quintiles. As a benchmark, it also reports the minimum-income-needed and good-income. We expect the relationship to be positive because higher incomes should correlate with higher economic aspirations. The relationship with our baseline measures increases, particularly after the second quintile. For the same income quintile, parents exhibit higher economic aspirations than their children, which aligns with the logic of the life cycle. A relevant aspect is that even the measure of minimum aspirations correlates positively with household income. As expected, the notion of sufficiency is not homogeneous across households, allowing us to capture differences in individuals' aspiration levels. The maximum aspirations are markedly higher than the rest, and the good-income overlaps with the minimum-income-needed in the highest quintile. When comparing the aspirations of parents and children, the levels are higher in parents—mainly in the highest quintile.

Figure 3: Economic Aspirations and Permanent Quintile Income

(a) Children



(b) Parents



Quintiles are built based on permanent household income. Permanent household income is the average per capita household income from waves 1, 3, and 4, corresponding to 2004, 2011/12, and 2015/16. Wave 2 is excluded because ELBU only recollects information for the Uruguay metropolitan area.

Aspiration and goals desired by individuals

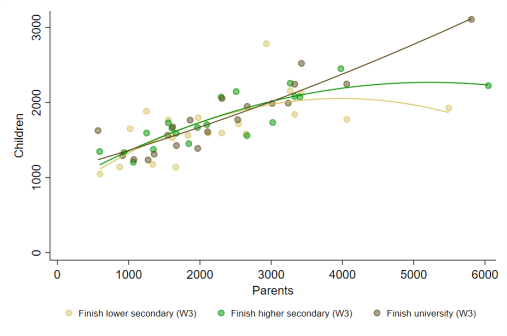
An additional methodological objective was to assess whether our baseline measures of economic aspiration correlated well with educational goals. Figure 4 reports the association between the economic aspirations of children (vertical axis) and the economic aspirations of parents (horizontal axis), according to the educational goals for their children reported by the parents in wave 3 of the ELBU (when the children were between 11 and 12 years old, the ages at which the transition from school to high school begins). We grouped the households into three categories according to the parents' educational objectives: incomplete secondary education, complete secondary education, and university education. While the first two imply an educational level equal to or below what is legally required (complete secondary education), the university level represents a more ambitious goal according to Uruguayan standards. Panels a) and b) of Figure 4 show the relationship between the maximum and minimum aspiration measures, respectively. Educational goals were recorded four years prior to the level of economic aspiration. This implies that the economic aspirations of both parents and children may have been adjusted based on children's educational performance. This indicates the need to jointly examine the aspirations of parents and children.

This preliminary analysis confirms a positive and significant association between parents' and their children's economic aspirations. When we consider the minimum aspiration measure, children's economic aspirations show a positive and convex relationship with their parents' aspirations for the three groups. A similar pattern is confirmed when the measure of maximum aspirations is considered, although the relationship between parents' and children's aspirations tends to be linear among parents with medium and high educational goals. For parents with low and intermediate economic aspirations, children's educational achievements do not differentiate them, and their economic aspirations remain similar. However, when parents' economic aspirations exceed $3,000, a relationship with educational goals emerges. Parents who aim for their children to reach university have higher economic aspirations than their children. This indicates that our measures of aspirations show consistent results in responses across generations and a strong association with parents' educational goals for their children when they were in the early stages of their formal education.

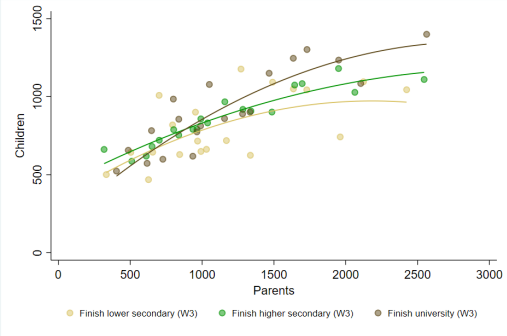
In sum, this analysis demonstrates that the minimum and maximum aspirations establish thresholds that are consistent with each other and are closely associated with individuals' goals, particularly in the

Figure 4: Intergenerational Transmission of Economic Aspirations and Educational Goals for Children

(a) Maximum aspirations



(b) Minimum aspirations



Binned scatter plots, calculated on aspirations ventile groups (parents and children) by the educational objectives of the parents about the children (reported in the third wave – the year 2011/12).

educational dimension, which increases with income and is directly linked to household characteristics. This indicates that it is plausible to assume that individuals' aspirations lie between the two thresholds proposed in this paper.

5.2 Main results: drivers of children's aspirations

5.2.1 Aspirations' windows

To study the empirical relevance of the drivers of children's aspirations, we consider three fundamental components of their aspiration window: parents' aspirations, parental household characteristics, and peers' parents.

Parental intergenerational transmission. Our baseline estimate takes equation (4) as a theoretical reference, and our variable of interest is the parents' economic aspiration. Estimation of the parameter β_1 allows us to test the role of parents in the children's aspiration window. Table 2 presents the coefficients associated with the main hypothesis, considering the maximum (cols. 1 to 5) and minimum aspiration measures (cols. 6 to 10). Logarithms are applied to the aspiration measures to interpret this parameter as elasticity. The full specifications are shown in Table A4 in the appendix.

First, we present the intergenerational transmission of aspirations without including controls (cols. 1 and 6); then, the household, parental, and child controls are added (cols. 2 and 7). In both cases, the parents' aspirations are significant at 1%. In the case of maximum aspirations, an increase of 1% in the parents' aspirations is transformed into an increase of 0.357% in the children's aspirations. This elasticity increases to 0.426 when referring to minimum economic aspirations. When this result is compared with the intergenerational transmission of other sociocultural mechanisms (Dohmen et al. 2012, Giavazzi et al. 2019), the persistence is slightly higher in this case but is lower compared to occupational aspirations (Lekfuangfu & Odermatt 2022), where the persistence coefficient is 0.6.[12] These elasticities are comparable to, yet higher than, the intergenerational income elasticities estimated for Uruguay.

[12]Our result is not comparable with the persistence of educational aspirations, also in Lekfuangfu & Odermatt (2022), because in this case, the aspiration is a dummy variable.

When permanent household income and other controls are included, the maximum aspiration persistence is reduced by 23.8% ($\chi^2 = 13.25$ for the coefficient difference test), although the elasticity remains relatively high. Something similar occurs to minimum aspirations. Elasticity is reduced by 15.9% when including permanent household income and control variables ($\chi^2 = 10.81$ for the coefficient difference test). The coefficient of permanent income (δ) is statistically significant at 1% with the expected sign when the maximum and minimum aspirations are considered as dependent variables. Compared with the magnitude of β_1, the relevance of permanent household income (β_2) to children's aspirations is relatively minor. In fact, the effect on the maximum aspirations of children from a variation of 1% in permanent income is 1.5 times less than that of a similar variation on the maximum aspirations of parents. This relationship is less than 2.5 times the minimum aspirations. These results confirm the direct relationship between the aspirations of parents and those of children (H.1a) and provide partial evidence in favor of H.1b.

Income peers' parents. We include the average income of peers' parents to consider oblique socialization. We do this in two ways. Following the happiness literature, in the first specification, we incorporate the logarithm of the median of the permanent income of the peers (cols. 3 and 8 of Table 2), which allows the parameter β_2 of the equation (2). This coefficient is not significant in any of these specifications, while the remainder of the coefficients do not change practically.

The parameter β_2 provides an average measure of the role of the peers' parents. We use additional specifications that interact permanent household income with parents' aspirations and with the income of peers' parents. These interactions allow us to identify the differential influence of both variables on children's aspirations, depending on parents' income. Figure 5 summarizes these estimates and shows the effects according to the deciles of permanent income. For both the maximum aspirations (panel a) and the minimum aspirations (panel b), the intergenerational transmission of aspirations is flat around the values estimated in our main specification. Conversely, we found differential effects when considering the income of peers' parents. The effects of the permanent income of peers are positive and significant in lower-income households (deciles 1 and 2 with maximum aspirations, and deciles 1 to 4 with minimum aspirations). Therefore, in lower-income households, children's aspirations are higher when parents interact with individuals with higher incomes within their community. These results indicate that peer outcomes complement the role of parental aspirations in forming children's aspirations at the bottom of the income distribution. This effect does not seem relevant for children in the middle and upper parts of the distribution, where parental aspirations and household income are the main drivers of children's aspirations.

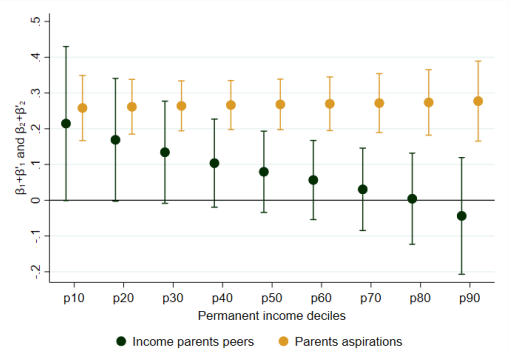
Table 2: Children's Economic Aspirations and Windows of Aspirations

	Maximum aspirations					Minimum aspirations				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Ln parent aspirations	0.357***	0.272***	0.272***	0.269***	0.273***	0.426***	0.358***	0.358***	0.357***	0.356***
	(0.038)	(0.042)	(0.042)	(0.041)	(0.042)	(0.044)	(0.050)	(0.051)	(0.050)	(0.049)
Ln permanent income (Y^p)		0.181***	0.173***	0.302***	0.144***		0.142***	0.129***	0.263***	0.116**
		(0.044)	(0.046)	(0.073)	(0.049)		(0.042)	(0.043)	(0.066)	(0.045)
Parent's Peers										
Ln median permanent income ($Y^{m,-p}$)			0.050					0.075		
			(0.068)					(0.063)		
Poorer: $\lvert Y^{m,-p} - Y^p \rvert$ if $Y^{m,-p} - Y^p < 0$;				0.260***					0.235***	
0 in other case				(0.089)					(0.082)	
Richer: $\lvert Y^{m,-p} - Y^p \rvert$ if $Y^{m,-p} - Y^p > 0$;				-0.002					-0.038	
0 in other case				(0.085)					(0.077)	
Miss-perceptions										
Income's underestimates					-0.190					-0.332**
					(0.153)					(0.151)
Income's overestimates					-0.030**					-0.036***
					(0.014)					(0.013)
Obs.	749	749	749	749	749	749	749	749	749	749
R2	0.143	0.216	0.217	0.226	0.225	0.194	0.244	0.245	0.252	0.257
Other controls	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes

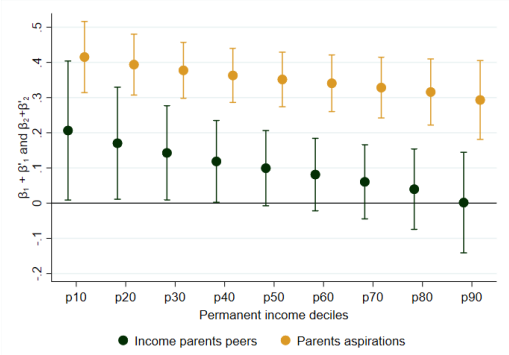
This table shows the main OLS estimates of equation 4 with the logarithm of child aspirations as the dependent variable and the logarithms of parents' aspirations and permanent income as the main independent variables. Each variable is measured in constant US dollars. In each column, the aspirations of parents and children are measured using the same line. Columns (1) to (5) use the 'very good-income' (maximum aspirations) as the measure of the aspirations, whereas columns (6) to (10) use the 'sufficient-income' (minimum aspirations). For children, the mean and standard deviations for the maximum aspirations variable are 7.33 and 0.55, respectively, while both statistics for the minimum aspirations variable are 6.63 and 0.52, respectively. Cols. (1) and (6) report the results without any control variables; cols. (2) and (7) report the results, including permanent income and a set of household, parents, and child characteristics; cols. (3) and (8) additionally include the permanent income of peer's parents - median income - and, in cols. (4) and (9), the distance from the parent's permanent income to the median of peer's permanent income when it is above (richer - 0 in the rest of the cases) and below (poorer - 0 in the rest of the cases). The last column includes the underestimation and overestimation of the relative position in the income distribution (percentage errors in the income decile). Household controls include Montevideo and the number of household members. Child controls are women, white, students, workers, emancipated, and Big Five Inventory. Parents' controls include age, age squared, and education levels. Full results, including control variable coefficients, are reported in Table A4 in the appendix. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Figure 5: Effect of Parents' Aspirations and Permanent Income of Peers' Parents on Children's Aspirations According to Household Permanent Income

(a) Maximum aspirations



(b) Minimum aspirations



The point in the figure reflects the point estimate for each decile of permanent income (log.), of parents' aspirations (log.) – yellow point – and the average of permanent income (log.) of peers' parents – green point – in the explanation of the children's aspirations (log.). The lines indicate the confidence interval at 90% significance. The coefficients are derived from Table A5 of the appendix, where the specification used is: $A_{ch} = \beta_0 + \beta_1 \cdot A_p + \beta_1' \cdot A_p \cdot Y^* + \beta_2 \cdot \overline{Y^*_{-p}} + \beta_2' \cdot \overline{Y^*_{-p}} \cdot Y^* + \beta_3 \cdot M_p^O + \beta_4 \cdot M_p^U + \delta \cdot Y^* + \gamma \cdot X + \mu_{ch}$. To explore the effect of the logarithm of the parents' aspirations, we test the null hypothesis: $\beta_1 + \beta_1' \cdot [\text{Value of the decile of } Y^*] = 0$ (in the case of permanent income of the peers' parents, β_2 and β_2' are used). The values of the deciles Y^* are: 6.12, 6.38, 6.58, 6.76, 6.90, 7.03, 7.18, 7.33, and 7.60. All estimations include controls. The same controls are used as those presented in the note of Table 2.

The previous results show that the peers' effect on children's aspirations could be asymmetric. This idea is aligned with Duesenberry (1949), who indicated that income comparisons are not symmetric. To address the asymmetric effect of income peers' parents, we follow the empirical specification used by Ferrer-i Carbonell (2005) and include two new variables 'rich parents' and 'poor parents', which consider the distance between one's own income and the income of peers' parents. The first variable identifies the 'poor parents', whose income is below the median. In these cases, the variable takes a value of 0 for parents with a permanent income above the median and the income distance (in absolute value) for the remaining parents. We do the same with 'rich parents', assigning a value of 0 to those parents with a permanent income below the median and calculating the income distance (in absolute value) in the remaining cases. Estimates are reported in columns 4 and 9 of Table 2 for maximum and minimum aspiration measures, respectively. The magnitude of the estimates of the parameters β_1 and δ remains stable while we confirm the relevance of the peers' parents. Significant results at the 1% level for relatively poor parents. The greater the income gap between parents and their peers, the greater the aspirations of the children. However, these results indicate that relative income does not affect economic aspirations when parents experience income affluence. One interpretation is that experiencing relative deprivation compared to a peers' parents generates more ambitious aspirations. Thus, for example, if we consider two parents with equal permanent incomes (and below the median of their reference group), the one with the highest aspirations will be the one with peers who have higher median incomes. These results are consistent with asymmetric comparisons and support the hypothesis that H.1b is applicable only to children from low-income households.

5.2.2 Diversity of aspirations' windows: income misperception

The previous strategy employs the standard practice that individuals with similar observable characteristics —parents of classmates from a given generation— belong to the same peer group. We address this issue by using a reference income definition that depends on parents' perceptions of outcomes. We ex-

ploit the idea that individuals assess their own situation by comparing it with the perceived distribution of outcomes (Kapteyn et al. 1978).[13] We add two variables to consider the parents' income misperception: income's overestimates and underestimates. In terms of equation (4), this new specification incorporates parameters β_3 and β_4, and the results are presented in columns 5 and 10 of Table 2. The results indicate that parents who overestimate their income distribution position transmit lower aspirations (maximum and minimum) to their children ($\beta_4 < 0$). This is associated with their reference group being probably low-income, which constitutes part of the framework that parents must use to guide their children's behavior. Indirectly, these results show a lower diversity of aspiration windows, which leads to a reduction in aspiration (type I aspiration failure).

Only in the case of minimum aspirations did we find that when parents underestimate their position in the income distribution, children reduce their economic aspirations (also see cols. 3 and 8 of Table 2). This result is unexpected for us (the hypothesis was $\beta_4 > 0$). We expect these parents to interact and compare themselves with people with higher incomes, which should increase their children's economic aspirations.

To understand this result, we incorporate an additional specification that interacts perception biases with the positions of parents in the income distribution. Figure A1 in the appendix summarizes the results. The findings indicate that both biases operate in the same direction, reducing children's economic aspirations. However, perception biases are concentrated among children whose parents are in the lower or middle positions of the distribution –not significant in the upper part of the distribution. These results are consistent with the previously made interpretation and provide favorable evidence for hypothesis H.1c for children of low- and middle-income families ($\beta_3 < 0$). However, they reject the hypothesis $\beta_4 > 0$. Our results show that $\beta_4 < 0$ is only applicable to children with low-income parents (see panel (a) of Figure A1 in the appendix). In other words, more demanding peer groups lead to lower economic aspirations. One possible explanation is that parents seek to adjust their children's aspirations to reduce future frustration levels because they believe that their children going to have worse results than their peers. In the following subsection, we will analyze this in greater detail when we examine the role played by parents' beliefs.

5.2.3 Robustness check of our aspirations measure

In this subsection, we analyze the robustness of the previous results, considering potential issues in the measurement of aspirations or specification errors in the econometric model.

Measurement error. A concern that could be raised about our empirical strategy is that the variables we use to capture aspirations may suffer from measurement error issues, which could lead to spurious correlation. To mitigate this problem, we implemented two strategies.

i) Errors in data reporting. We include the maximum and minimum aspirations in levels (panel (a) of Table A6 in the appendix) and establish a ranking of the responses for parents and children (panel (b) of Table A6 in the appendix). The transformation of variables allows us to overcome a potential problem in our measurement associated with measurement errors.[14] Considering rankings allows us to have a

[13] Kapteyn et al. (1978) and Cruces et al. (2013) provided evidence that biased perceptions of their own relative position depend on the reference group and the resulting income taken as a benchmark.

[14] This is a standard practice in the literature on intergenerational income mobility. See, for example, Chetty et al. (2018) or Nybom & Stuhler (2017).

more stable measure and to be less susceptible to errors in data reporting. In any case, the results are not modified. The association between parents' and children's aspirations is positive and significant at 1%, and the magnitude of the coefficient is higher for minimum than for maximum aspirations.

ii) Framing-associated error. Respondents may not have fully understood our question or may have incorporated some type of bias into their responses. If so, aspirations would be measured with error. If the measurement error terms of parents and children are correlated, our estimates of aspirations' intergenerational persistence could be biased. However, this problem seems implausible because the children and parents' surveys were conducted at different times and places (they did not share physical space). However, another possibility is that the framing of the questions causes the same type of error in the responses of parents and children. To alleviate concerns about this type of measurement error, the intergenerational transmission was estimated by substituting the measure of parental maximum aspirations for minimum aspirations and vise versa. We also substitute these measures of parents' aspirations with the minimum needed income (see Table A7 in the appendix). We use all measures (children and parents) in rank so that our estimates are comparable. This strategy avoids the potential problem of the correlation of the error terms between parents and children due to the framing of the question.

We confirm that intergenerational persistence remains without major changes when we modify the measure of parental aspirations, confirming that the different measures capture a similar phenomenon (cols. 1, 3, 5, and 7). Additionally, we performed estimates including, simultaneously as covariates, the modified measures of parental aspirations and the parental aspirations measured in the same way as the children's aspirations (cols. 2, 4, 5, and 8). In these cases, we confirm that when similarly measured aspirations for parents and children are included, the alternative measure of aspirations is no longer significant, as these are similar but not identical phenomena.

Placebo estimation. We perform placebo estimates of children's aspirations related to other parental variables to ensure that our results capture the intergenerational transmission of aspirations and not some other phenomenon. As a placebo test, we include a 'false' measure of parents' aspirations that collects information from parents at the individual level and in a comparable metric. Specifically, we use parents' perceptions of the average income of lower-class, middle-class, and upper-class families. The results are presented in Table A8 in the Appendix. Columns (1), (3), and (5) refer to the maximum aspirations of children, whereas columns (7), (9), and (11) refer to the minimum aspirations.

We find that the perceived income of lower- and middle-class parents is positively associated with both minimum and maximum aspirations. In contrast, the perceived income of upper-class parents is not. The maximum aspirations variable has been criticized for potentially not representing a desirable, future-oriented objective. If belonging to the upper class is perceived to occur with low probability in this population, the lack of association with our measure of aspirations allows us to put this criticism into perspective.

In the even-numbered columns, we include parents' aspirations in the estimates to compare two subjective parental variables in explaining children's aspirations. In all cases, parents' aspirations are significant. However, while the significance of lower-class income remains in explaining children's aspirations, the significance of middle-class income disappears for both types of aspirations. This indicates that middle-class income is more closely aligned with the phenomena underlying both maximum and minimum aspirations.

Other potential measures. We used other potential measures of (minimum) aspirations. We address these aspirations based on questions regarding the income considered "good" and the minimum-income-needed. The positive and significant association between parents and children was maintained at 1%. Persistence in the case of the measure based on good-income is very similar to that observed with minimum aspirations. In contrast, in the case of the minimum-income-needed, the size of the coefficient is very similar to that found when estimating maximum aspirations (see Table A9 in the Appendix).

5.3 Aspirations failure: beliefs about the return of effort

This section analyzes whether parents' beliefs about returns-to-effort affect children's aspirations. The theory predicts that more pessimistic beliefs regarding the likelihood of achieving one's goals should lead to lower aspirations. Beliefs are related to the term $F(y_i, y_{-i}|B_i)$ in equation (4). We consider the parents' beliefs about themselves (internal Loc) and how others see them (stigma, discrimination). We use this specification motivated by the potential role of aspiration failure to test the hypothesis (H.2).

First, two alternative parental beliefs were used to approximate the internal locus of control. One refers to the role of destiny or individual choices when forging the future (self-made destiny), and the other corresponds to the role of luck and effort in generating income (hard work). Columns (1) and (3) of Table 3 show the average effects of both variables. We only found that parents who believe in self-made destiny —they believe that individual action is more effective—have children with fewer minimum aspirations (panel II.). The influence of parents' beliefs on the transmission of aspirations could depend on households' economic position, as proposed in equation (5).[15]

We analyze whether permanent income modulates the influence of parents' beliefs on children's economic aspirations, as indicated in our hypothesis (H.2). With this objective, we estimate an additional specification that incorporates the interaction between each parent's beliefs and permanent household income. Columns (2) and (4) of Table 3 present the results, and panel I of Figure 6 describes the marginal effect of "self-made destiny" and "hard work" on children's aspirations by parents' decile of permanent income. The marginal effects are negative and significant for children from low-income households. This result can be interpreted as evidence that parents with an internal locus of control and low household income believe that individuals shape their destiny but recognize that their low income will not allow their children to progress. Given their beliefs and household constraints, a rational response is to transmit lower economic aspirations for their children to avoid frustration (a child's high aspirations will only be an unattainable "illusion"). In the same figure, among households with high incomes, we show that parents who believe that hard work pays have children with higher aspirations, approximately 10%. Assume that parents believe that hard work results in economic success. Given their beliefs, high-income parents have incentives to promote high aspirations for their children and motivate them to make more effort.

Second, we explore an additional set of parents' beliefs that focus on how others see/treat them. We used two dummy variables that measure whether parents have experienced discrimination or negative stigma, labeled "discriminated" and "shamed," respectively. The average effects are reported in columns

[15]For example, a parent in an advantaged position who believes that circumstances are important will tend to transmit higher aspirations to their children. In contrast, parents from disadvantaged positions will transmit lower aspirations to their children if they believe that circumstances are more important than effort.

Table 3: Intergenerational Transmission of Parents' Economic Aspirations and Beliefs according to Permanent Income

Parent's beliefs:	Self-made destiny		Hard work		Discriminated		Shamed	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I. Dependent variable: *Children's maximum aspirations*								
Parents aspirations (ln)	0.272***	0.272***	0.268***	0.268***	0.272***	0.272***	0.271***	0.271***
	(0.042)	(0.042)	(0.042)	(0.042)	(0.041)	(0.041)	(0.042)	(0.042)
Permanent income (ln)	0.183***	0.095	0.188***	0.139**	0.173***	0.194***	0.175***	0.151***
	(0.045)	(0.076)	(0.045)	(0.055)	(0.045)	(0.049)	(0.044)	(0.055)
Parents' beliefs	-0.044	-0.840	0.003	-0.582	-0.103**	0.656	-0.066*	-0.381
	(0.041)	(0.566)	(0.036)	(0.501)	(0.048)	(0.589)	(0.037)	(0.508)
Permanent income (ln) x Parents' beliefs		0.117		0.085		-0.113		0.046
		(0.083)		(0.072)		(0.086)		(0.073)
Obs.	746	746	743	743	749	749	745	745
R2	0.216	0.219	0.215	0.217	0.221	0.223	0.219	0.220
II. Dependent variable: *Children's minimum aspirations*								
Parents aspirations (ln)	0.356***	0.354***	0.356***	0.355***	0.358***	0.358***	0.361***	0.361***
	(0.051)	(0.050)	(0.051)	(0.051)	(0.050)	(0.050)	(0.051)	(0.051)
Permanent income (ln)	0.149***	0.024	0.151***	0.085	0.140***	0.160***	0.143***	0.133***
	(0.042)	(0.067)	(0.042)	(0.054)	(0.042)	(0.046)	(0.042)	(0.050)
Parents' beliefs	-0.121***	-1.253**	0.025	-0.766*	-0.019	0.681	-0.013	-0.135
	(0.041)	(0.503)	(0.035)	(0.452)	(0.041)	(0.504)	(0.035)	(0.461)
Permanent income (ln) x Parents' beliefs		0.166**		0.115*		-0.104		0.018
		(0.074)		(0.065)		(0.073)		(0.067)
Obs.	746	746	743	743	749	749	745	745
R2	0.252	0.257	0.244	0.248	0.244	0.246	0.245	0.245

This table shows the OLS estimates of equation 5 with the logarithm of children's aspirations as the dependent variable and the logarithms of parents' aspirations and the household total monthly income as the main independent variables. Each variable is measured in constant US dollars. In addition, two indicators of the external locus of control were added in the specifications. The first one is a response [God] to the following question: *who do you think will contribute more to some change in your life?*. The second response [Everything is determined (or mostly determined) by destiny] is to the following question: *some people think individuals can contribute to their destiny, what do you think?*. In each column, the aspirations of parents and children are measured using the same line. Columns (1) to (5) use the 'Very good-income' line as the measure of the aspirations, while columns (6) to (10) use the 'Sufficient-income' line. Columns (3), (4), (8), and (9) present the interaction between each external locus of control and the logarithm of the permanent household income. Columns (5) and (10) also include the interaction between each external locus and permanent household income. All columns include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

5 and 7 of Table 3. As expected, parents who perceive that they have suffered discrimination or have been stigmatized have children with lower aspirations, but only in maximum aspirations (panel a). One interpretation is that experiencing discrimination undermines parents' confidence in the returns of their actions and transmits lower economic aspirations to their children. An additional specification is incorporated to explore heterogeneous effects. The coefficients and marginal effects by parental income deciles are reported in columns 6 and 8 of Table 3 and panel II. of Figure 6, respectively. Parents who have experienced discrimination or negative stigma, even when they belong to middle- and high-income households, transmit lower aspirations to their children. Parents with high aspirations and household incomes transmit up to 25% less of their aspirations to their children if they suffer an episode of discrimination.

Intergenerational transmission of beliefs. The previous specifications show that parents' beliefs directly influence their offspring's aspirations, as parents often attempt to shape their children's behavior based on their own past experiences. However, it is also plausible that the influence of parental beliefs on their children's aspirations is indirectly mediated through the modification of the children's beliefs, which could be driven by the intergenerational transmission of beliefs. To examine this channel, new estimates were conducted, incorporating the beliefs of the children (B_{ch}) as an additional covariate. This represents a variant of the equation 5 (where B_p is replaced by B_{ch}).

The results are shown in Table A10 in the appendix. Panel I presents the estimates associated with

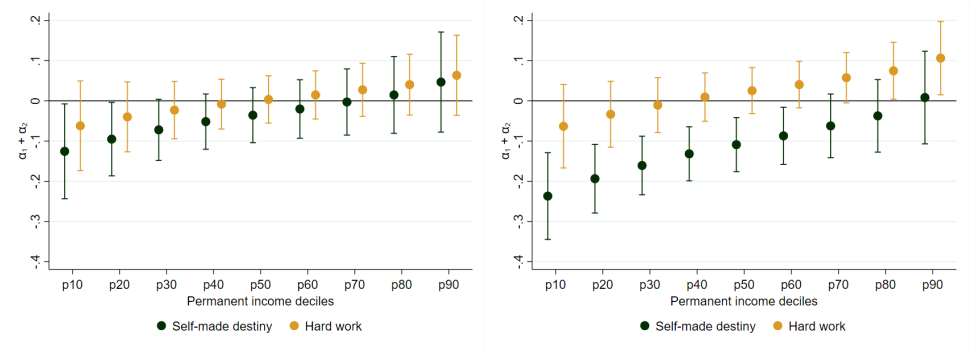
maximum aspirations, whereas panel II presents those of minimum aspirations. We conducted OLS estimates for a set of beliefs sequentially, and the results are shown in the odd-numbered columns. The analysis revealed no significant influence of the children's beliefs on their aspirations. In even-numbered columns, we report the same coefficient estimated by two-step least squares (2SLS). The first stage explains the children's beliefs based on the parents' beliefs and the same set of controls. The results of the first step confirm the intergenerational transmission of three beliefs: self-made destiny, hard work, and shame. In the second step, the children's beliefs are the variable of interest and are instrumented by the parents' beliefs in each instance – B_p.[16] We found that children's self-made destiny significantly and negatively affects their minimum aspirations, while the rest of the children's beliefs have no effect. Based on this result and the results presented in Table 3, we found partial evidence to support hypothesis $H.2$. Parents' beliefs about how others see them directly affect children's aspirations (shame and discrimination). There is no evidence that, on average, parental beliefs about hard work affect these aspirations. A separate discussion on the role of belief in self-made destiny. In this case, we found evidence of an intergenerational transmission of beliefs that indirectly affects children's aspirations. Therefore, in this case, both effects cannot be isolated and suggest that parental beliefs influence children's aspirations through two channels: the transmission of beliefs (indirectly) and the transmission of aspirations (directly).

[16]This strategy assumes that the parents' beliefs satisfy the exogeneity assumption. This implies that they do not directly affect the children's aspirations. It also implies that the beliefs of parents are not affected by the aspirations of children. The transmission of intergenerational belief is a necessary additional condition of the instrumental variable approach. The last row of Table A10 presents this coefficient, which is statistically significant for all beliefs except discrimination. The table also reports the F-test and rejects the hypothesis of weak instruments for self-made destiny and hard work.

Figure 6: Children's Aspirations and Parents' Beliefs According to Permanent Income

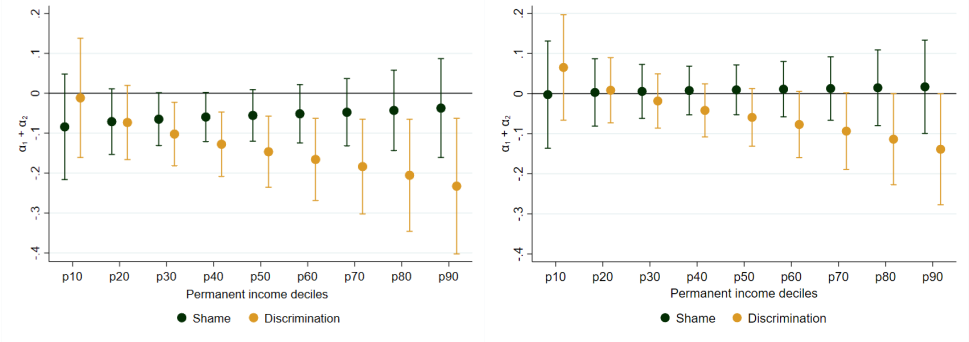
Panel I. Beliefs about themselves - Internal Locus of Control

(a) Maximum Aspiration **(b)** Minimum Aspirations



Panel II. Beliefs about how others see them

(c) Maximum Aspiration **(d)** Minimum Aspirations



The definition of parents' beliefs is the same as that in Table A10. The figure reflects the point estimate for each decile of permanent income (log.) of parents' beliefs in explaining the children's aspirations (log.). The lines indicate the confidence interval at 90% significance. The coefficients are derived from Table 3 of the Appendix, where we estimate equation 5. The hypothesis test runs to estimate the effect of parents' beliefs is $\alpha_1 + \alpha_2 \cdot$ [Value of the decile of Y^*]$= 0$. The values of the deciles Y^* are the same as those presented in Figure 5. All estimations include controls. The same controls are used as those presented in the note of Table 2.

6 Why are aspirations relevant?

This section provides evidence for the hypothesis regarding the well-being consequences of economic aspirations. The level of economic aspirations establishes a trade-off between short-term and long-term well-being. The immediate expected result of an increase in individual aspirations is a reduction in well-being. If this translates into behavioral changes and real upward mobility, these higher aspirations could lead to long-term improvements in well-being. First, we focus on the short-term relationship, measuring its association with subjective and short-term well-being. Second, we explore a longer-term relationship between past aspirations and more permanent well-being outcomes.

6.1 Direct and short-term effect: children's aspirations and subjective well-being

The equation (1) predicts that an increase in economic aspirations has a negative and direct effect on individual's well-being in the short term. Higher aspirations are often challenging to achieve, resulting in a higher effort cost and, eventually, frustration. These channels lead to lower levels of experienced

utility in different domains (Stutzer 2004, Clark et al. 2008). To address this hypothesis regarding the short-term effect of aspirations on children's well-being, we use the following specification, which is standard in the literature on happiness economics:

$$U_{ch,t} = \alpha_1 \cdot A_{ch,t} + \alpha_2 \cdot Y_{ch,t} + \delta \cdot X_{.,t} + \varepsilon_{ch,t} \tag{6}$$

where $U_{ch,t}$ is alternatively the life satisfaction or the economic satisfaction of the children at the moment t. In this case, the dependent variable represents the short-term well-being of children, which is measured by subjective well-being. While $Y_{ch,t}$ is approximated by the per capita income of the household where the children reside, $X_{.,t}$ includes a set of control variables related to the children and their households. The equation includes the children's aspirations $A_{ch,t}$. Indirectly, our specification includes the children's aspiration gap ($A_{ch,t} - Y_{ch,t}$) as a determinant of their subjective well-being – the children's aspirations coefficient, as indicated in the background literature (Stutzer 2004, Castilla 2012, Lekfuangfu & Odermatt 2022).[17] Based on our hypotheses, we expect the aspiration gap to negatively correlate with subjective well-being, implying that $\alpha_1 - \alpha_2 < 0$, in general, with $\alpha_1 < 0$ and $\alpha_2 > 0$.[18]

Table 4 shows the short-term link between the children's aspirations gap and their current subjective well-being. We consider "life in general" and the "economic situation" to be domains of subjective well-being. The results confirm the expected signs for the estimated parameters, and the children's aspirations gap negatively explains their subjective well-being associated with the economic situation (cols 3 and 4). For every 10% increase in the aspirations gap, subjective well-being in this domain falls between 2.10 and 2.36% (depending on whether maximum or minimum aspirations are considered). In other words, given that income directly and positively affects subjective well-being and indirectly affects it through the aspiration gap, our specification shows that a 10% increase in aspiration levels could remain unchanged if income only increases by 6.7% - 7.6%. The aspiration gap does not affect subjective well-being when considering "life in general" (cols 1 and 2).

We also explore whether the aspiration gap presents heterogeneities. To do this, we directly include the aspiration gaps in a specification but divide the positive from the negative (see Table A11 in the Appendix). When income is higher than aspirations (negative aspirations gap), the association with subjective well-being is positive. This result is found for satisfaction with life in general (at 10%) and satisfaction with the economic situation (at 5% in maximum aspirations and 1% in minimum aspirations). In contrast, there is no significant link to subjective well-being when the aspiration gap is positive. These results are consistent with the Duesenberry hypothesis and the findings of Ferrer-i Carbonell (2005) regarding the asymmetry of income comparisons. In some ways, when the aspiration gap is positive, the aspirations of the children are met and exceeded. These are children who mostly live with their parents. In this sense, this gap must be understood in the intergenerational context: these children aspire to live at least as well as their parents.

[17] Note that both aspirations and income are expressed in monetary terms, so the interpretation of the aspiration gap makes sense in a linear equation.

[18] Note that we do not include the permanent income of peers' parents in our specification because we want to analyze what happens to children's well-being once their aspirations are. Thus, they constitute a later stage than the relationships estimated in the previous section.

Table 4: Children's Subjective Well-Being and Gap Aspirations

	I. SWB: Life in general		**II.** SWB: Economic situation	
	Max. Asp.	Min. Asp.	Max. Asp.	Min. Asp.
Children aspirations (ln)	-0.076	-0.097	-0.210**	-0.236***
	(0.060)	(0.065)	(0.086)	(0.087)
Household income (ln)	0.144***	0.145***	0.310***	0.310***
	(0.044)	(0.045)	(0.063)	(0.063)
Obs.	741	741	741	741
R2	0.084	0.085	0.110	0.112

Estimation of subjective well-being using OLS. This table presents the log. of children's aspirations and permanent income as covariates. To measure subjective well-being, the question "On a scale from 1 to 5, where 1 means very dissatisfied and 5 means very satisfied: How satisfied are you with..." We use the options "... your life in general" and "...your economic situation." All columns include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p¡0.01, ** p¡0.05, * p¡0.10.

6.2 Intergenerational mobility traps: parents' aspirations and children's objective well-being

Aspirations affect people's incentives and motivations and, therefore, shape the intention to make an effort or invest in achieving certain goals (Appadurai 2004, Genicot & Ray 2017). Aspirations could positively affect well-being in the medium or long term, particularly through their impact on the next generation. This is expected when the individual's actions are well compensated (e.g., effort pays), individuals reach a challenging economic target, and they increase their income. This enhancing effect motivates greater investment through higher aspirations and leads to higher long-term well-being. For this reason, we now focus on long term or more permanent well-being. The following specification is used to identify this type of effect.

$$U_{ch,t} = \alpha_1' \cdot A_{p,t-1} + \alpha_2' \cdot Y_{p,t-1} + \alpha_3' \cdot A_{p,t} + \delta \cdot X_{t,ch} + \varepsilon_{t,ch} \tag{7}$$

To address the long-term relationship between aspiration and well-being, this equation presents three differences regarding equation (6). First, we assume an overlapping generations model, taking the family as the individual, with parents representing past performance and children representing the present. Second, instead of using short-term well-being measures, such as subjective satisfaction, in that case, $U_{ch,t}$, is measured by the likelihood of living in a poor household or the probability that the children will attend the formal education system when they are 17-18 years old. Both variables provide a robust measure of individuals' long-term well-being. Second, in this specification, we consider the parents' aspirations at t and t-1. We use the minimum-income-needed as a proxy for parents' aspirations since it is the only available variable to measure income aspiration in two different periods. This decision allowed us to take advantage of the longitudinal data. We consider a lag in the gap in parents' aspirations to explain the current well-being of children. On the other hand, subsection 5.1 shows that this measure is highly correlated with our baseline measures of economic aspirations. Our specification captures the parents' aspiration gap, but in this case, at t-1. The income of parents is also the income of the household where the child lives in $t-1$; therefore $Y_{p,t-1} \simeq Y_{ch,t-1}$.

We have two alternatives. When α_3' is not active, we consider the long-term effect based on parents' aspirations in a previous period. Our last hypothesis mentions the tension of the effects of the aspiration

gap on well-being in the short and medium/long term. For this reason, we hope that $\alpha_2' < 0$ and $\alpha_1' > 0$ ($\alpha_1' - \alpha_2' > 0$). If α_3' is active, our specification shows how the change in parents' aspirations between $t-1$ and t affects children's well-being and resumes the medium-term relationship. Our expectation is that if aspirations increase during this period ($\alpha_2' < 0$ and $\alpha_3' > 0$), parental effort (and the underlying motivations) will rise, leading to improvements in children's well-being, such as reduced poverty and higher school attendance.

6.2.1 Poverty

To address the intergenerational relationship between the past gap in parents' aspirations and children's well-being, we assess the likelihood of children living in a poverty household. This relationship is key to understanding the role of economic aspirations in intergenerational income mobility. Table 5 shows the probability of being poor or extremely poor in time t, considering the minimum-income-needed and household income at $t-1$ – lagged gap aspirations (see cols. 1 and 5). These estimates account for restrictions on intragenerational mobility and the role of aspirations as a mechanism to break out of traps of this kind.

Our results show a negative association between cases of poverty or extreme poverty and gap aspirations. A 10% increase in the parents' aspirations gap at $t-1$ generates a 9.7% decrease in the probability of being poor at t and a 5.8% decrease in the probability of being extremely poor at t. Then, we include a new specification by adding the parents' aspirations in t to allow us to evaluate whether the change in these aspirations between $t-1$ and t generates changes in the probability of being poor/extremely poor (see cols. 2 and 6). We did not find significant results for extreme poverty. In the case of poverty, the estimates indicate that the levels of aspiration are more important than the changes between t and $t-1$.

We check the robustness of our results in several ways. First, we substituted the lagged income for the lagged-dependent variable to consider persistence in poverty and extreme poverty (cols. 3 and 7). Conditional on the previous situation (lagging), the probability of being poor or extremely poor decreases as aspirations increase. Note that only poverty exhibits positive persistence; the situation of extreme poverty (which is not widely prevalent in Uruguay) in $t-1$ is not significant in explaining extreme poverty in t. We also include estimates with parents' fixed effects to provide additional robustness to our estimates and to control for unobservable variables. Unfortunately, we cannot include lagged aspiration variables with this specification (see cols. 4 and 8). In this case, the aspirations explain significant and negative the poverty, but not extreme poverty. Finally, we included estimates considering other distribution points. We estimated the probability of belonging to the middle and upper strata (see Table A12 in the Appendix). We do not expect to find a significant effect of aspirations in the middle strata, although higher aspirations should lead to a rise in status. Still, a negative sign for lagging aspirations would only mean that people leave the middle strata, not in either the upward or downward direction. We hope for a significant and positive coefficient of lagged aspirations on the probability of belonging to the upper strata, as these individuals can only maintain or lower their positions. These results are found in our estimates (see cols. 1 and 5). The lagged-dependent variable is significant in both income groups, indicating the level of persistence in the different social strata (see cols. 3 and 7). As expected, the coefficient is significantly higher in the upper stratum. Finally, the fixed-effects estimates are not significant in either of the two cases (cols. 4 and 8).

Table 5: Poverty and Parents' Aspirations

	I. Extreme Poverty				**II.** Poverty			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Lag. parental minimum-needed-income (ln)	-0.058**	-0.036	-0.073**		-0.097**	-0.030	-0.082**	
	(0.028)	(0.036)	(0.028)		(0.040)	(0.050)	(0.040)	
Lag. household income (ln)	-0.051***	-0.049***			-0.172***	-0.165***		
	(0.018)	(0.018)			(0.027)	(0.027)		
Parental minimum-needed-income (ln)		-0.042		-0.026		-0.125**		-0.125***
		(0.040)		(0.025)		(0.056)		(0.036)
Lag. dependent variable			0.052				0.266***	
			(0.046)				(0.040)	
Obs.	735	735	735	1466	735	735	735	1466
R2	0.122	0.123	0.113	0.588	0.243	0.248	0.245	0.706
Fix Effect	No	No	No	Yes	No	No	No	Yes

The thresholds of the poverty and extreme poverty line are the official ones published on the website of the National Institute of Statistics of Uruguay (see web page) and correspond to the year in which permanent income was deflated. Aspirations are measured based on minimum-needed-income. The lagged variable corresponds to the third wave of data collected in 2011/12. Estimates without fixed effects include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

6.2.2 Attendance at school

We also estimate the probability that children will attend the formal education system in the fourth wave, including the parents' aspirations gap in lags as an independent variable (see Table 6). We exclusively consider children who attended educational centers in wave 3 (we excluded less than 10% of the sample), as the chances of re-entering the educational system are extremely low.

This estimate also studies the potential role of aspirations in intergenerational mobility. The low parental aspirations gap could intergenerationally strengthen the vicious circle in which the poorest households generate low incentives to stimulate or motivate their children to attend educational centers, insofar as the gap to be closed would be small. We found no evidence that the parents' aspirations gap at t-1 correlates with their children's attendance at school at t (col. 1). However, we found evidence that an increase in parents' aspirations between t and t-1 positively influences their children's probability of attending an educational center (cols. 3 and 4). Ceteris paribus, the probability that a child would attend formal education at age 18 would increase by 0.18 if their parents had raised their aspirations by 1% in the last years. The magnitude of this association, which is not intended to be interpreted causally, is larger than that of the income coefficient (0.052).

Table 6: Children's Attendance at School and Parents' Aspirations. Minimum-Income-Needed

	(1)	(2)	(3)	(4)
Lag. parental aspirations (ln)	-0.025		-0.098*	-0.099*
	(0.042)		(0.051)	(0.052)
Lag. household income (ln)	0.061**		0.052*	0.051*
	(0.028)		(0.028)	(0.028)
Parental aspirations (ln)		0.086*	0.142**	0.141**
		(0.051)	(0.063)	(0.063)
Household income (ln)		0.011		0.003
		(0.023)		(0.024)
Obs.	677	677	677	677
R2	0.197	0.195	0.204	0.204

This table shows the main OLS estimates. Estimate made with children who attended an educational center in wave 3 (2011/12). The parental aspirations are measured based on the variable Minimum-needed-income. The lagged variable corresponds to the third wave of data collected in 2011/12. All columns include controls. The same controls are used as those presented in the note of Table 2. The full estimates are shown in Table A13 in the appendix. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

7 Conclusions

The idea that economic aspirations play a crucial role in explaining income inequality and mobility has a long history in the social sciences, but it has received less attention in the theoretical and empirical literature in economics. The evidence presented in this study allows us to conclude that the weight of individual circumstances in forming economic aspirations is high. In particular, it indicates that parents' economic aspirations are a critical factor in explaining their children's economic aspirations. Reference groups also affect the magnitude of the aspirations window, although their economic relevance is less pronounced and is concentrated among children from low-income households. This indicates that the roles of parents and peers in shaping children's aspirations could be complementary, particularly for young people from lower-income households.

There is evidence, albeit weak, that people who have fatalistic beliefs or face unfavorable events tend to modify their economic aspirations. This is true for children from low-income households. When their

parents believe that their success is determined by a self-made destiny, children exhibit lower aspirations. In the case of middle- and high-income households, when parents experienced discrimination events, children tended to reduce their economic aspirations. Finally, we explore whether the level of aspirations is associated with the trajectories of children and their households in terms of alternative measures of well-being: poverty, extreme poverty, educational achievement, and subjective well-being. The results are preliminary, show a weak association, and depend on the sample used. In particular, a negative association was found between the level of parents' economic aspirations and the persistence of monetary poverty among children.

The results of this study contribute to the advancement of this research agenda. Although the evidence presented does not allow for a causal interpretation, the identified association appears robust. The analysis relies on alternative measures of aspirations collected across two generations at different time points. The findings further highlight the importance of conceiving aspirations as a multifaceted phenomenon and incorporating reference thresholds to guide individual behavior. A promising direction for future research is to advance toward causal interpretations of the determinants of aspirations.

The results of this study provide new elements for interventions that seek to reverse persistent poverty situations. Conditions of deprivation and scarcity, together with contexts of polarization and segregation, could have consequences for people's behavior, discouraging them from making beneficial decisions regarding mobility that may help reverse the persistence of poverty. Policies that contribute to widening the aspirations window through less residential segregation, greater local connectivity, and broader, more diverse, and interconnected reference groups could mitigate the transmission of low aspirations. Redistributive policies can also impact the formation of aspirations if they alter the aspiration window and expectations about the shares' returns.

The literature review and the findings of this study show that certain elements should be considered. First, the expansion of the aspiration windows must be accompanied by policies that seek to avoid frustration in the medium term. Second, the increase in aspirations establishes a trade-off between short-term and long-term well-being. The immediate expected result of an increase in individual aspirations is a reduction in their well-being. If this translates into behavioral changes and real mobility opportunities, these higher aspirations could lead to long-term improvements in well-being. Finally, interventions should not ignore the fact that aspirations are conditioned by access to resources, and that people with low aspirations coming from unfavorable contexts could maintain low aspirations (and their preferences) if they anticipate being treated unfairly and discriminated against.

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Appendix

Table A1: Descriptive Statistics. Children and Parents

	Mean	Std. Dev.	Min.	Max.	N
I. *Children variables*					
White	0.81	0.39	0.00	1.00	749
Woman	0.52	0.50	0.00	1.00	749
Student	0.64	0.48	0.00	1.00	749
Worker	0.25	0.43	0.00	1.00	749
Emancipated	0.11	0.32	0.00	1.00	749
II. *Household variables*					
Permanent household income (ln)	6.87	0.57	4.69	8.50	749
Household members (#)	4.49	1.73	2.00	14.00	749
Montevideo	0.43	0.49	0.00	1.00	749
III. *Parents variables*					
Mother	0.94	0.24	0.00	1.00	749
Age	46.17	7.10	30.00	70.00	749
Education level					
Primary	0.25	0.44	0.00	1.00	749
Lower secondary	0.27	0.44	0.00	1.00	749
Higher secondary	0.30	0.46	0.00	1.00	749
Tertiary	0.18	0.38	0.00	1.00	749
Big Five Inventory					
Extraversion	27.30	5.59	10.00	40.00	749
Agreeableness	33.99	4.98	17.00	45.00	749
Conscientiousness	30.13	6.06	11.00	45.00	749
Neuroticism	22.38	5.85	8.00	40.00	749
Openness	34.61	6.74	13.00	50.00	749

Table A2: Descriptive Statistics of Aspiration Measures

	I. *Children variables*					**II.** *Parents variables*				
	Mean	Std. Dev.	Min.	Max.	N	Mean	Std. Dev.	Min.	Max.	N
Minimum aspirations (ln)	6.63	0.52	3.47	7.65	749	6.92	0.54	3.50	7.93	749
Minimum-income-needed (ln)	7.04	0.45	4.53	7.92	699	7.42	0.49	5.78	10.00	749
Good-income (ln)	6.96	0.53	2.95	8.09	740	7.25	0.51	4.64	8.52	743
Maximum aspirations (ln)	7.33	0.55	3.24	8.80	749	7.60	0.58	5.55	9.74	749

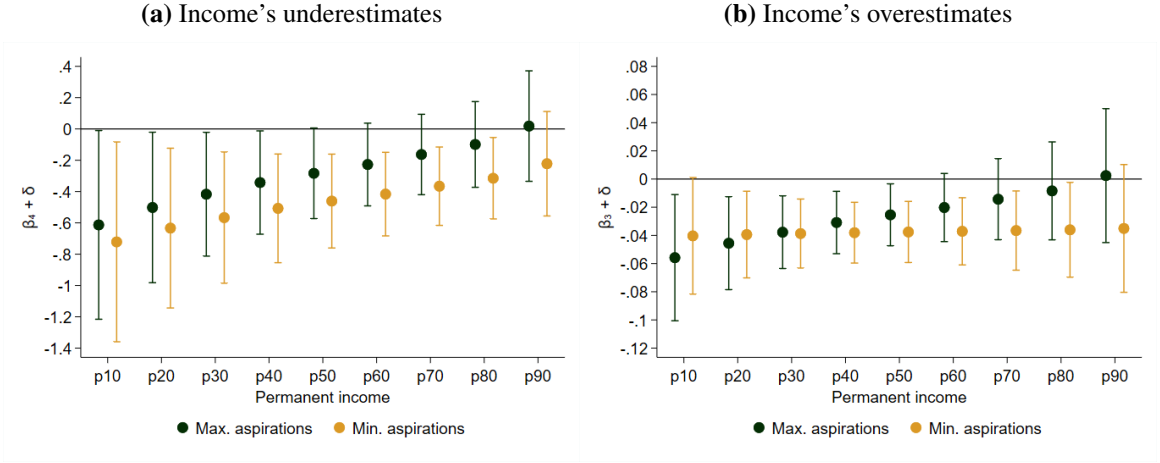
The *minimum-income-needed* arises from the question, "What household income per month would you consider an absolute minimum in order to make ends meet and without running into debt even if you reduce your needs to a minimum?" The other aspirations measure have a similar framing to each other. All questions are based on the following formulation: "What income would you indicate as good or bad in your circumstances? Please try to state what income per month (before taxes) for the entire household you consider to be [level]" We refer to as *minimum aspirations* when [level] is "sufficient', and as *maximum aspirations* when [level] is "very good". In addition to inquiring about these incomes, the same question is asked for "good" income. Each aspiration variable is measured in constant US dollars and expressed in logarithms.

Table A3: Descriptive Statistics. Parents' Beliefs, Income Misperception, and Permanent Income of peers' parents

	Mean	Std. Dev.	Min.	Max.	N
I. *Beliefs about themselves: internal LoC*					
Hard work	0.55	0.50	0	1	743
Self-made destiny	0.78	0.41	0	1	746
II. *Beliefs about how others see them*					
Discrimination	0.19	0.39	0	1	749
Shame	0.44	0.50	0	1	745
III. *Averager parents-peer*					
Permanent income	6.97	0.35	6	8	749
IV. *Miss-perceptions*					
Income's underestimates	0.06	0.14	0	1	737
Income's overestimates	1.56	1.76	0	9	737

Self-made destiny is a variable that arises from the question "Some people believe that individuals can build their destiny..." and it takes value 1 when the answer is "We make our destiny" or "Mostly by oneself"; Hard work builds on the question "Some people say that people get ahead thanks to hard work, while others say that luck or the help of other people are more important. What do you think is the most important thing?" and it takes value 1 when the answer is "Hard work"; Discriminated is constructed based on the question "During the last three months, have you felt that you have been treated with discrimination?" and it takes value 1 when the answer is "Yes, always or almost always" or "Yes, frequently"; finally Shamed come from a module developed by the Oxford Poverty and Human Development Initiative (OPHI) in Zavaleta Reyles (2007) where the interviewee is told that "For each of the feelings listed below, please assign a number from 1 to 4 to reflect how frequent the feeling is for you" (a response of 1 equals "Never or rarely", 2 equals "Occasionally"; 3 equals "Often"; 4 equals "Always of almost always"). The feeling of shame is operationalized through a nine-item scale regarding proneness to shame questions. To build this variable, the scores of each one are added (higher values imply a greater feeling of shame), and those whose score is above the median are identified with 1.

Figure A1: Children's Aspirations and Parents' Income Misperception According to Permanent Income



The figure reflects the point estimate for each decile of permanent income (log.) of income miss-perception in explaining the children's aspirations (log.). To measure income miss-perception, we consider the underestimation (panel a) and overestimation (panel b) of the relative position in the income distribution (percentage errors in the income decile). The lines indicate the confidence interval at 90% significance. The coefficients arise from the cols. 3 and 8 of Table 2, where we estimate equation 4. The hypothesis test runs to estimate the effect of parents' beliefs is $\beta_3(or\beta_4)+\delta\cdot$ [Value of the decile of Y^*]$=0$. The values of the deciles Y^* are the same as those presented in Figure 5. All estimations include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses.

Table A4: Children's Economic Aspirations and Window of Aspirations. Full Estimation

	Maximum aspirations				Minimum aspirations			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ln Parent aspirations	0.272***	0.273***	0.272***	0.269***	0.358***	0.356***	0.358***	0.357***
	(0.042)	(0.042)	(0.042)	(0.041)	(0.050)	(0.049)	(0.051)	(0.050)
Ln permanent income (Y^p)	0.181***	0.144***	0.173***	0.302***	0.142***	0.116**	0.129***	0.263***
	(0.044)	(0.049)	(0.046)	(0.073)	(0.042)	(0.045)	(0.043)	(0.066)
Income's underestimates		-0.190				-0.332**		
		(0.153)				(0.151)		
Income's overestimates		-0.030**				-0.036***		
		(0.014)				(0.013)		
Parent's Peers								
Ln median permanent income ($Y^{m,p}$)			0.050				0.075	
			(0.068)				(0.063)	
Poorer: —$Y^{m,p}$-Y^p— if $Y^{m,p}$-Y^p¡0; 0 in other case				0.260***				0.235***
				(0.089)				(0.082)
Richer: —$Y^{m,p}$-Y^p— if $Y^{m,p}$-Y^p¿0; 0 in other case				-0.002				-0.038
				(0.085)				(0.077)
Montevideo	-0.078**	-0.080**	-0.083**	-0.094**	-0.047	-0.049	-0.055	-0.063*
	(0.039)	(0.039)	(0.040)	(0.040)	(0.037)	(0.037)	(0.038)	(0.038)
Household members (#)	-0.010	-0.003	-0.010	-0.010	0.000	0.007	0.001	0.001
	(0.012)	(0.013)	(0.012)	(0.012)	(0.011)	(0.012)	(0.011)	(0.011)
Emancipated	-0.138**	-0.126*	-0.136**	-0.121*	-0.098	-0.087	-0.095	-0.080
	(0.068)	(0.066)	(0.068)	(0.066)	(0.065)	(0.063)	(0.065)	(0.063)
Woman	0.075**	0.084**	0.076**	0.080**	0.081**	0.091***	0.083**	0.086**
	(0.036)	(0.036)	(0.036)	(0.036)	(0.035)	(0.035)	(0.035)	(0.035)
White	0.073	0.068	0.071	0.066	0.071	0.067	0.069	0.066
	(0.054)	(0.053)	(0.054)	(0.053)	(0.049)	(0.047)	(0.049)	(0.048)
Student	0.095**	0.096**	0.092**	0.090**	0.090**	0.089**	0.086**	0.085*
	(0.044)	(0.044)	(0.044)	(0.044)	(0.043)	(0.043)	(0.043)	(0.044)
Worker	0.022	0.021	0.023	0.026	0.038	0.036	0.039	0.041
	(0.043)	(0.044)	(0.044)	(0.043)	(0.041)	(0.041)	(0.041)	(0.041)
BFI: Extraversion	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
BFI: Agreeableness	0.001	0.001	0.001	0.001	0.001	0.001	0.001	0.001
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
BFI: Conscientiousness	-0.005	-0.005	-0.005	-0.005	-0.000	-0.001	-0.000	-0.000
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
BFI: Neuroticism	-0.009**	-0.009**	-0.009**	-0.008**	-0.007*	-0.007**	-0.007*	-0.007*
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.003)
BFI: Openness	0.001	0.001	0.002	0.002	-0.002	-0.002	-0.002	-0.001
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Mother	0.049	0.049	0.049	0.055	-0.000	0.005	0.001	0.005
	(0.084)	(0.084)	(0.084)	(0.082)	(0.077)	(0.076)	(0.077)	(0.076)
Age (parents)	-0.013	-0.011	-0.014	-0.019	-0.018	-0.017	-0.020	-0.024
	(0.029)	(0.028)	(0.029)	(0.028)	(0.030)	(0.029)	(0.030)	(0.030)
Age sq. (parents)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Education level:								
Lower secondary (parents)	0.044	0.048	0.043	0.047	-0.004	-0.001	-0.007	-0.003
	(0.054)	(0.053)	(0.054)	(0.054)	(0.051)	(0.050)	(0.051)	(0.051)
Higher secondary (parents)	-0.034	-0.028	-0.036	-0.039	-0.063	-0.055	-0.066	-0.068
	(0.060)	(0.059)	(0.060)	(0.060)	(0.055)	(0.054)	(0.055)	(0.055)
Tertiary (parents)	0.012	0.018	0.008	-0.015	-0.010	0.000	-0.018	-0.034
	(0.070)	(0.069)	(0.071)	(0.071)	(0.066)	(0.065)	(0.067)	(0.066)
Constant	4.454***	4.711***	4.191***	3.737***	3.702***	3.930***	3.304***	2.961***
	(0.787)	(0.804)	(0.912)	(0.921)	(0.769)	(0.773)	(0.870)	(0.873)
Obs.	749	749	749	749	749	749	749	749
R2	0.216	0.225	0.217	0.226	0.244	0.257	0.245	0.252

This table reports the full table for the main OLS estimates of equation 4 with the logarithm of children's aspirations as the dependent variable and the logarithms of parent's aspirations and the permanent income as the main independent variables. Each variable is measured in constant US dollars. In each column, the aspirations of parents and children are measured using the same line. Columns (1) to (3) use the 'Very good-income' line as the measure of the aspirations, while columns (4) to (6) use the 'Sufficient-income' line. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table A5: Children's Economic Aspirations and Windows of Aspirations According to Permanent Income. Main Coefficients

	Maximum aspirations				Minimum aspirations			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ln Parent aspirations	0.264***	0.373	0.310		0.359***	1.083***	1.097***	
	(0.042)	(0.411)	(0.412)		(0.050)	(0.406)	(0.400)	
Ln permanent income (Y^p)	0.950	0.289	0.989	0.097	1.213*	0.859**	1.978**	0.100
	(0.806)	(0.465)	(0.911)	(0.071)	(0.710)	(0.422)	(0.851)	(0.063)
Parent's Peers								
Ln median permanent income ($Y^{m,p}$)	0.792	0.124**	0.781		0.996	0.080	1.025*	
	(0.692)	(0.054)	(0.690)		(0.605)	(0.049)	(0.592)	
Income's underestimates				-2.443				-2.712
				(2.251)				(2.324)
Income's overestimates				-0.219				-0.051
				(0.218)				(0.199)
Interaction w/Y^p:								
$Y^{m,p}$	-0.098		-0.096		-0.135		-0.138	
	(0.099)		(0.099)		(0.088)		(0.086)	
Ln Parent aspirations		-0.016	-0.007			-0.105*	-0.107*	
		(0.061)	(0.061)			(0.060)	(0.059)	
Income's underestimates				0.310				0.326
				(0.313)				(0.321)
Income's overestimates				0.028				0.002
				(0.032)				(0.029)
Obs.	749	749	749	749	749	749	749	749
R2	0.224	0.222	0.224	0.225	0.249	0.250	0.253	0.258

This table shows OLS estimates with the logarithm of children's aspirations as the dependent variable and the logarithms of parent's aspirations and permanent income as the main independent variables. Each variable is measured in constant US dollars. In each column, the aspirations of parents and children are measured using the same line. Columns (1) to (4) use the 'Very good-income' line as the measure of aspirations, whereas columns (5) to (8) use the 'Sufficient-income' line. The estimates are the same as those presented in equation 4, adding the interaction between permanent income and the main variables of interest. All columns include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table A6: Children's Economic Aspirations and Windows of Aspirations. Aspirations in Levels and Rankings

	Maximum aspirations			Minimum aspirations		
	(1)	(2)	(3)	(4)	(5)	(6)
I. *Aspirations measures in rankings*						
Parental aspirations (rank)	0.353***	0.277***	0.280***	0.409***	0.351***	0.361***
	(0.030)	(0.037)	(0.037)	(0.029)	(0.036)	(0.036)
Permanent income (ln)		76.506***	75.721***		54.788***	55.291***
		(17.904)	(20.798)		(17.766)	(20.025)
Average permanent income (parents peers)			31.379			36.715
			(25.578)			(24.857)
Obs.	749	749	749	749	749	749
R2	0.161	0.221	0.229	0.211	0.255	0.263
II. *Aspirations measures in levels*						
Parental aspirations (level)	0.213***	0.168***	0.169***	0.320***	0.272***	0.273***
	(0.042)	(0.038)	(0.037)	(0.027)	(0.030)	(0.030)
Permanent income (ln)		348.298***	330.236***		113.007***	104.836***
		(72.893)	(74.310)		(30.280)	(30.758)
Average permanent income (parents peers)			114.741			51.159
			(92.737)			(38.663)
Obs.	749	749	749	749	749	749
R2	0.128	0.199	0.201	0.197	0.249	0.251
Other controls	No	Yes	Yes	No	Yes	Yes

This table shows the OLS estimates of equation 4 with the level or ranking of child aspirations as the dependent variable and the level or ranking of parents' aspirations and the logarithm of permanent income as the main independent variables. The level of aspirations and the logarithm of permanent income are measured in constant US dollars. In each column, the aspirations of parents and children are measured using the same line. Columns (1) to (3) use the 'Very good-income' line as the measure of the aspirations, while columns (4) to (6) use the 'Sufficient-income' line. When considering variables at levels, for children, the mean and standard deviations for the maximum aspirations variable are 1759 and 967, respectively, while the minimum aspirations variable are 859 and 406, respectively. Columns (1) and (4) report the results without any control variables; columns (2) and (5) report the results including a set of controls; and columns (3) and (6) include the average permanent income (parents' peers). The same controls are used as those presented in Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10

Table A7: Alternative Measures to Address Issues of Consistency of Parent's Responses. Measures of Aspirations in Rankings

	Minimum aspirations				Maximum aspirations			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Parents maximum aspirations	0.243***	0.042				0.170***		0.274***
	(0.037)	(0.046)				(0.047)		(0.040)
Parents minimum aspirations		0.335***		0.348***	0.289***	0.184***		
		(0.047)		(0.038)	(0.037)	(0.047)		
Parents minimum-needed-income			0.148***	0.039			0.130***	0.035
			(0.034)	(0.034)			(0.034)	(0.036)
Ln permanent income (YP)	79.592***	57.700***	95.977***	56.499***	79.624***	68.251***	103.806***	72.646***
	(20.565)	(19.740)	(20.689)	(20.269)	(20.023)	(20.049)	(21.087)	(20.867)
Obs.	749	749	740	740	749	749	740	740
R2	0.201	0.260	0.170	0.259	0.230	0.245	0.174	0.229

This table shows OLS estimates with the ranking of child aspirations as the dependent variable and ranking of parents' aspirations and the logarithms permanent income as the main independent variables. Permanent income is measured in constant US dollars. All columns include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table A8: Aspirations and Perceptions of Social Class Income

	Maximum aspirations						Minimum aspirations					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Ln lower-class income	0.068***	0.045*					0.109***	0.060***				
	(0.030)	(0.026)					(0.025)	(0.021)				
Ln middle-class income			0.084**	0.028					0.084**	0.003		
			(0.041)	(0.042)					(0.040)	(0.038)		
Ln upper-class income					0.054*	0.010					0.028	-0.030
					(0.032)	(0.032)					(0.032)	(0.029)
Ln permanent income (Y^p)	0.257***	0.166***	0.251***	0.180***	0.249***	0.187***	0.222***	0.121***	0.240***	0.151***	0.236***	0.150***
	(0.042)	(0.042)	(0.047)	(0.047)	(0.049)	(0.048)	(0.040)	(0.041)	(0.043)	(0.043)	(0.045)	(0.045)
Ln Parent aspirations		0.282***		0.259***		0.244***		0.368***		0.365***		0.357***
		(0.043)		(0.045)		(0.045)		(0.052)		(0.054)		(0.056)
Obs.	711	711	699	699	692	692	711	711	699	699	692	692
R2	0.163	0.232	0.172	0.222	0.169	0.213	0.160	0.262	0.162	0.253	0.156	0.244
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

This table shows the main OLS estimates of equation 4 with the logarithm of child aspirations as the dependent variable and the logarithm of perception of income of social classes (lower, middle, and upper) and permanent income as the main independent variables. We include the logarithm of parents' aspirations as a control in the even columns. Each variable is measured in constant US dollars. In each column, the aspirations of parents and children are measured using the same line. Columns (1) to (6) use the 'Very good-income' (Maximum aspirations) as the measure of the aspirations, while columns (7) to (12) use the 'Sufficient-income' (Minimum aspirations). For children, the mean and standard deviations for the maximum aspirations variable are 7.33 and 0.55, respectively, whereas both statistics for the minimum aspirations variable are 6.63 and 0.52, respectively. All columns include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table A9: Children's Economic Aspirations and Windows of Aspirations. Alternative Measures of Minimum Aspirations

	Good-income				Minimum-needed-income			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ln parents aspirations	0.427***	0.351***	0.349***	0.350***	0.351***	0.243***	0.238***	0.239***
	(0.034)	(0.040)	(0.040)	(0.040)	(0.043)	(0.049)	(0.049)	(0.049)
Ln permanent income (Y^p)		0.130***	0.122***	0.219***		0.116***	0.106***	0.182***
		(0.043)	(0.043)	(0.067)		(0.038)	(0.038)	(0.054)
Parent's Peers								
Ln median permanent income ($Y^{m,p}$)			0.068				0.089*	
			(0.051)				(0.049)	
Poorer: —$Y^{m,p}$-Y^p— if $Y^{m,p}$-Y^p¡0; 0 in other case				-0.103*				-0.075*
				(0.054)				(0.045)
Richer: —$Y^{m,p}$-Y^p— if $Y^{m,p}$-Y^p¿0; 0 in other case				-0.045				0.000
				(0.536)				(0.000)
Obs.	740	740	740	740	699	699	699	699
R2	0.167	0.215	0.217	0.220	0.095	0.170	0.175	0.174
Other controls	No	Yes	Yes	Yes	No	Yes	Yes	Yes

This table shows the OLS estimates of equation 4 with children's aspirations as the dependent variable and parent's aspirations and permanent income as the main independent variables. Each variable is measured in constant US dollars. In each column, the aspirations of parents and children are measured using the same line. Columns (1) to (4) use the logarithm of 'good-income' line, and columns (5) to (9) use the logarithm of 'minimum-needed-income' line as the measure of the minimum aspirations. For children, the mean and standard deviations for 'Good income' are 6.96 and 0.53, respectively, while both statistics for 'Minimum needed income' are 7.04 and 0.45, respectively. Columns (1) and (5) presents the results without any control variables. The rest of the columns include the same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table A10: Children's Aspirations, Children's Beliefs, and Intergenerational Belief Transmission

	Self-made destiny		Hard work		Discriminated		Shamed	
	OLS	2SLS	OLS	2SLS	OLS	2SLS	OLS	2SLS
I. *Maximum aspirations*								
Parents aspirations (ln)	0.258***	0.265***	0.265***	0.262***	0.266***	0.313***	0.267***	0.269***
	(0.042)	(0.043)	(0.042)	(0.042)	(0.042)	(0.117)	(0.042)	(0.044)
Permanent income (ln)	0.188***	0.174***	0.183***	0.190***	0.181***	0.066	0.182***	0.119*
	(0.045)	(0.048)	(0.045)	(0.044)	(0.045)	(0.189)	(0.045)	(0.069)
Children's beliefs	-0.011	-0.290	-0.001	0.029	-0.046	-5.187	-0.032	-0.806
	(0.037)	(0.325)	(0.038)	(0.207)	(0.097)	(6.972)	(0.040)	(0.550)
F-test	-.-	8.68	-.-	21.63	-.-	0.64	-.-	5.70
II. *Minimum aspirations*								
Parents aspirations (ln)	0.353***	0.378***	0.357***	0.355***	0.355***	0.331***	0.351***	0.343***
	(0.051)	(0.058)	(0.051)	(0.051)	(0.052)	(0.091)	(0.051)	(0.065)
Permanent income (ln)	0.146***	0.106*	0.143***	0.151***	0.142***	0.132**	0.143***	0.138***
	(0.042)	(0.057)	(0.042)	(0.041)	(0.042)	(0.057)	(0.042)	(0.049)
Children's beliefs	-0.039	-0.863**	0.022	0.155	-0.014	-0.916	-0.052	-0.159
	(0.035)	(0.406)	(0.037)	(0.203)	(0.112)	(2.396)	(0.037)	(0.437)
F-test	-.-	8.64	-.-	21.70	-.-	0.70	-.-	5.03
First stage								
Intergenerational transmission of beliefs		0.132***		0.171***		0.019		0.079**
		(0.045)		(0.037)		(0.023)		(0.035)

This table shows the coefficients of different children's beliefs used as covariates to estimate the log. of children's aspirations. We consider four types of children's beliefs, which are expressed as dummy variables. Self-made destiny (cols. 1 and 2) is a variable that arises from the question "Some people believe that individuals can build their destiny..." and it takes value 1 when the answer is "We make our destiny" or "Mostly by oneself"; Hard work (cols. 3 and 4) builds on the question "Some people say that people get ahead thanks to hard work, while others say that luck or the help of other people are more important. What do you think is the most important thing?" and it takes value 1 when the answer is "Hard work"; Discriminated (cols. 5 and 6) is constructed based on the question "During the last three months, have you felt that you have been treated with discrimination?" and it takes value 1 when the answer is "Yes, always or almost always" or "Yes, frequently"; finally Shamed (cols. 7 and 8) are derived from a module developed by the Oxford Poverty and Human Development Initiative (OPHI) in Zavaleta Reyles (2007) where the interviewee is told that "For each of the feelings listed below, please assign a number from 1 to 4 to reflect how frequent the feeling is for you" (a response of 1 equals "Never or rarely", 2 equals "Occasionally"; 3 equals "Often"; 4 equals "Always of almost always"). The feeling of shame is operationalized through a nine-item scale regarding proneness to shame questions. To build this variable, the scores of each one are added (higher values imply a greater feeling of shame), and those whose score is above the median are identified with 1. The estimates in the odd columns are made with OLS, and in the even columns with 2SLS. For this last type of estimation, the parents' beliefs are used as an instrument, constructed in the same way as the children's beliefs. All columns include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p¡0.01, ** p¡0.05, * p¡0.10.

Table A11: Children's Subjective Well-Being and Gap Aspirations

	Life in general		Economic situation	
	(1)	(2)	(3)	(4)
Positive Aspirations gap	-0.032	-0.030	-0.139	-0.074
	(0.076)	(0.114)	(0.110)	(0.151)
Negative Aspirations gap	0.219**	0.144**	0.323**	0.290***
	(0.107)	(0.070)	(0.152)	(0.098)
Household total income (ln)	0.058	0.045	0.115	0.110
	(0.067)	(0.072)	(0.092)	(0.097)
Obs.	725	725	725	725
R2	0.065	0.064	0.087	0.089

Estimation of subjective well-being using OLS. This table presents the log. of children's aspirations and permanent household income as covariates. To measure subjective well-being, the question "On a scale from 1 to 5, where 1 means very dissatisfied and 5 means very satisfied: How satisfied are you with..." We use the options "... your life in general" and "...your economic situation." The aspirations gap is the difference between the aspirations logarithm and permanent income. The positive aspirations gap is the value of the previous difference when the gap is greater than zero and zero in the other cases. The negative aspirations gap is constructed as the absolute value of the aspirations gap when it is negative and zero in the other cases. All columns include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p_i0.01, ** p_i0.05, * p_i0.10.

Table A12: Income Groups and Aspirations of Parents

	I. Middle quintile				**II.** Highest decile			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Lag. parental minimum needed income (ln)	-0.001	0.045	-0.001		0.061**	0.006	0.058**	
	(0.036)	(0.042)	(0.035)		(0.028)	(0.038)	(0.026)	
Lag. household income (ln)	0.007	0.009			0.153***	0.148***		
	(0.022)	(0.022)			(0.026)	(0.026)		
Parental minimum needed income (ln)		-0.083*		-0.022		0.103**		0.016
		(0.050)		(0.035)		(0.043)		(0.026)
Lag. dependent variable			0.104**				0.371***	
			(0.041)				(0.049)	
Obs.	735	735	735	1466	735	735	735	1466
R2	0.023	0.030	0.033	0.558	0.211	0.217	0.260	0.747
Fix Effect	No	No	No	Yes	No	No	No	Yes

This table shows the main OLS estimates. The dependent variables are the probability that the household (i) is located in the third and (ii) fifth quintile of the income distribution (middle quintile and highest quintile, respectively). Aspirations are measured based on the variable Minimum-needed-income. The lagged variable corresponds to the third wave of data collected in 2011/12. Estimates without fixed effects include controls. The same controls are used as those presented in the note of Table 2. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.

Table A13: Children's Attendance at School and Parents' Aspirations

	Maximum aspirations		Minimum aspirations		Minimum needed income			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Parental aspirations (ln)	0.018	0.043	0.053	0.050	0.065		0.142**	0.140**
	(0.034)	(0.039)	(0.039)	(0.040)	(0.051)		(0.063)	(0.062)
Average aspirations of parents' peers		0.090*		0.022	0.126	0.142		0.136
		(0.052)		(0.066)	(0.088)	(0.089)		(0.089)
Lag. parental aspirations (ln)						-0.030	-0.098*	-0.102**
						(0.042)	(0.051)	(0.051)
Lag. household income (ln)	0.056**	0.050*	0.052*	0.052*	0.047*	0.057**	0.052*	0.048*
	(0.028)	(0.028)	(0.028)	(0.028)	(0.028)	(0.028)	(0.028)	(0.028)
Montevideo	-0.088**	-0.130***	-0.097***	-0.101***	-0.105***	-0.097***	-0.091**	-0.106***
	(0.037)	(0.042)	(0.037)	(0.038)	(0.037)	(0.037)	(0.036)	(0.037)
Household members (#)	-0.030***	-0.028**	-0.030***	-0.030***	-0.027**	-0.029**	-0.029**	-0.028**
	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)	(0.011)
Emancipated	-0.101**	-0.098**	-0.102**	-0.102**	-0.104**	-0.101**	-0.104**	-0.103**
	(0.049)	(0.049)	(0.049)	(0.049)	(0.049)	(0.050)	(0.050)	(0.050)
Woman	0.011	0.016	0.011	0.011	0.012	0.012	0.014	0.014
	(0.036)	(0.036)	(0.036)	(0.036)	(0.036)	(0.036)	(0.036)	(0.036)
White	-0.023	-0.031	-0.026	-0.027	-0.028	-0.021	-0.019	-0.021
	(0.044)	(0.045)	(0.044)	(0.045)	(0.045)	(0.045)	(0.045)	(0.045)
Worker	-0.241***	-0.235***	-0.241***	-0.241***	-0.238***	-0.236***	-0.240***	-0.235***
	(0.042)	(0.043)	(0.042)	(0.042)	(0.043)	(0.043)	(0.042)	(0.043)
BFI: Extraversion	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
BFI: Agreeableness	0.004	0.004	0.004	0.004	0.004	0.004	0.003	0.003
	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)	(0.004)
BFI: Conscientiousness	0.000	0.001	0.000	0.000	0.001	0.000	-0.000	0.000
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
BFI: Neuroticism	0.002	0.002	0.002	0.002	0.002	0.002	0.002	0.002
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
BFI: Openness	0.004	0.004	0.004	0.004	0.004	0.004	0.004	0.004
	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)	(0.003)
Mother	0.069	0.072	0.071	0.072	0.070	0.065	0.066	0.066
	(0.075)	(0.074)	(0.075)	(0.075)	(0.075)	(0.074)	(0.075)	(0.075)
Age (parents)	-0.016	-0.016	-0.018	-0.018	-0.017	-0.017	-0.018	-0.018
	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)	(0.025)
Age sq. (parents)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Education level: Lower secondary (parents)	0.164***	0.157***	0.160***	0.159***	0.154***	0.164***	0.148***	0.146***
	(0.053)	(0.052)	(0.052)	(0.052)	(0.053)	(0.053)	(0.053)	(0.053)
Education level: Higher secondary (parents)	0.269***	0.254***	0.258***	0.258***	0.253***	0.270***	0.260***	0.254***
	(0.051)	(0.051)	(0.051)	(0.051)	(0.052)	(0.052)	(0.052)	(0.052)
Education level: Tertiary (parents)	0.378***	0.360***	0.369***	0.368***	0.360***	0.383***	0.374***	0.367***
	(0.058)	(0.058)	(0.058)	(0.058)	(0.059)	(0.059)	(0.059)	(0.059)
Constant	0.086	-0.714	-0.051	-0.192	-1.096	-0.597	-0.007	-0.943
	(0.673)	(0.771)	(0.654)	(0.782)	(0.931)	(0.912)	(0.718)	(0.932)
Obs.	677	677	677	677	677	677	677	677
R2	0.197	0.202	0.199	0.199	0.201	0.200	0.204	0.206

This table shows the main OLS estimates. Estimate made with children who attended an educational center in wave 3 (2011/12). Measurement of parental aspirations indicated in column headings. Lagged information is only available with the minimum-needed-income. The lagged variable corresponds to the third wave of data collected in 2011/12. Robust standard errors are in parentheses. *** p<0.01, ** p<0.05, * p<0.10.