

Preferences for redistribution in the land of inequalities*

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Abstract

This paper is part of a broader research agenda that tries to explain why countries with high inequality conduct less income redistribution from rich to poor than would be expected from standard political economy models. The focus is on Latin America, the most unequal region in the world as measured by income distribution and its point of departure is the fact that despite high levels of pre tax-transfer inequality, on average there is relatively little (and in some cases throughout time, decreasing) levels of income redistribution. Is the lack of downward redistribution the result of a low demand for redistributive policies on behalf of common citizens? By drawing on public opinion survey data such as *Latinobarometro* and *The Latin American Public Opinion Project*, I address three questions: 1) are voters aware of the level of income inequality, and if so, do they favor policies to reduce it?; 2) who favors and opposes income redistribution?, and 3) are there national level or contextual variables that can help to understand cross county variation in preferences for redistribution across Latin America? I show that preferences for redistribution are in general, intense in the region. However, objective socioeconomic attributes are poor predictors of individual level preferences, with subjective variables and non economic cleavages (e.g. religion) playing a more prominent role. Finally, I provide preliminary evidence that suggests that the socioeconomic and political context in which preferences are formed can explain part of the cross country variation in attitudes towards redistribution in Latin America.

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Why is redistribution from rich to poor least present when and where it seems most needed? The so called “Robin Hood paradox” (Lindert 2004) is one of the fundamental puzzles in the political economy of income redistribution (Iversen 2006). In order to address this puzzle, scholars have emphasized both demand and supply side considerations that affect equilibrium redistributive policies which in turn, determine (in part) the extent of income redistribution in a society (Robinson 2008).

For example, when studying the demand side of redistribution, scholars in OECD countries have tended to focus on the *preferences* of key political and economic actors such as labor unions and employers (Mares 2003), and also of common citizens (e.g. the median voter).¹ Public opinion surveys are the main tool for tapping the determinants of redistributive preferences in large segments of the electorate. By drawing on large N public opinion data such as the General Social Survey (GSS) and World Values Survey (WVS), scholars have shown how different beliefs and preferences for redistribution in Europe and the United States account for part of the variation in distributive outcomes across developed democracies (Alesina et al 2001; Alesina and Gleaser 2004).

This paper is part of a broader research agenda that tries to understand and explain the “Robin Hood paradox” in the context of the most unequal region in the world as measured by income distribution: Latin America (ECLAC 2006). The point of departure is the known fact that despite high levels of pre tax-transfer inequality, the extent of redistribution is comparatively low

¹ The empirical literature on preferences for redistribution based on public opinion data is now quite profuse, although most of it is focused on either the US or Europe (See Alesina and Giliano 2008 for a review). Gaviria (2007) is to the best of my knowledge one of the few papers tapping on preferences for redistribution directly in Latin America. Studies in the region based on public opinion surveys focus on topics other than redistribution: attitudes toward market reforms (Graham and Sukhtankar 2004; Magaloni and Vidal Romero 2008), trade preferences (Baker 2003), and more in line with this paper, the relationship between inequality and happiness (Graham and Felton 2006) or the determinants of perceptions of inequality (Kaufman and Cramer 2009).

in the region (Goñi et al. 2009). Is this the result of low demand for redistributive policies on behalf of common citizens as could be suggested by standard interpretations where popular beliefs determine policy outcomes? By drawing on public opinion survey data such as *Latinobarometro* (various years) and the 2008 wave of the Latin American Public Opinion Project (LAPOP) for eighteen countries in the region², I address three questions: 1) are citizens aware of inequality and if so, do they favor policies to reduce it?; 2) who favors and opposes redistribution?, and 3) are there national level or contextual variables that can help explain cross country variation in preferences for redistribution across Latin America? I show that preferences for redistribution are in general, intense in the region. However, objective socioeconomic attributes are poor predictors of individual level preferences, with subjective variables playing a more prominent role. Finally, I provide preliminary evidence that suggests that the socioeconomic and political context in which preferences are formed can explain part of the cross country variation in attitudes towards redistribution.

The paper is organized as follows. In the next section, I show that Latin American citizens are highly aware of inequality, preferences for redistribution are intense, and share a set of beliefs on the causes of wealth and poverty that are similar to those found in Europe and are different from the U.S case. In section II, I survey the existing literature on the determinants of preferences for redistribution and derive testable predications to answer the question: who demands and opposes redistribution? Section III provides exploratory evidence on the link between the broader socioeconomic and political context and cross country variation in preferences for redistribution.

² The countries covered in both samples are Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru., Uruguay and Venezuela.

I. Perceptions of inequality and preferences for redistribution

In the comparative analysis of European and the US welfare systems, Alesina and coauthors center part of their analysis on the “ideology” of redistribution (Alesina and Gleaser 2004, 183-216), with a focus on the preferences of mass electorates regarding the causes of poverty, attitudes towards social mobility and the links between such preferences and distributive outcomes. Table 1 presents the most often cited comparison between the beliefs of Europeans and Americans regarding poverty and social mobility using WVS data, and Table 2 shows responses to similar questions for different time periods using only Latinobarometro survey data.

<Tables 1 and 2>

A standard interpretation of Table 1 is that such striking differences in beliefs about the causes of wealth and poverty, economic opportunity and social mobility are first, major determinants of preferences for redistribution between Americans and Europeans, and more importantly, that these preferences in turn can account for part of the variation in the size and relative generosity of their welfare systems (Benabou and Tirole 2006). However, note first that Latin American citizens hold very similar views to their European counterparts with respect to poverty and the workings of economic systems, and secondly these beliefs seem quite consistent throughout time (Table 2).³ Thus, while one may interpret Table 1 as yet another data point favoring theories of “American exceptionalism” (Gleaser 2006), from a broader comparative perspective it suggests that preferences cannot be the important part of the story in accounting for differences between the generous welfare states in Europe and the “truncated” (Fizbein 2005) Latin American fiscal systems. Yet, in this paper we are not concerned in comparing the supply side of redistributive policies in Europe vs. Latin America. Rather, we are interested in studying

³ Although note that in 2006 and 2007 the level of pessimism regarding economic opportunities decreased, perhaps due to the accumulated effects of the unprecedented economic growth burst of the last six years in the region.

preferences because we want to find out whether citizens in Latin American are first, aware of income disparities, and secondly whether they demand redistributive policies to overcome such excess inequality.

With respect to the first concern, public opinion surveys suggest that poverty and inequality are highly disliked in Latin America.⁴ As shown by Table 3, according to data from Latinobarometro, issues such as inequality, poverty and lack of opportunities have been generally ranked by citizens among the top three most important problems faced by them between 1995 and 2007.

<Table 3>

In addition, all but small percentages of respondents tend to agree that the distribution of income is unfair/very unfair in the region (Kaufman 2008). Interestingly, these popular perceptions of inequality tend to accompany actual changes in the distribution of income, as measured by levels of gini coefficients (Figure 1).⁵ Moreover, we find that for some years, the countries with the highest levels of income inequality are also those where respondents are more likely to perceive the distribution of income to be unfair and very unfair (Figure 2).

<Figures 1 and 2>

So far, we have shown that a majority of Latin Americans are highly aware of both the level of inequality and also of changes in the income distribution over time. A different concern is whether they are willing to support redistributive policies to reduce such inequities. To address this issue, we turn to the 2008 wave of LAPOP. Figure 3 presents shows cross country variations in the proportion of respondents who strongly agreed with the statement that the “*government*

⁴ Keeping up with the previous regional comparisons, there is also evidence that Europeans are more averse to inequality than American citizens (Alesina et al. 2004).

⁵ A similar convergence between facts and beliefs is suggested by McCall (2003) who studies recent trends in inequality and perceptions of the process in the United States.

should implement policies to reduce income inequality between the rich and the poor” which constitutes our main variable of interest capturing redistributive preferences.

<Figure 3>

The figure includes two additional data points: the average of the same variable for countries in the European Union and in the United States in the 2006 “Role of Government module” of the International Social Survey Program (ISSP), which is commonly regarded as the best available comparative public opinion data on inequality and government redistribution (Kenworthy and McCall 2008).⁶ Two important points emerge from the figure. First, the regional alignment of preferences for redistribution is quite consistent with what we observed on Table 1 and 2 regarding beliefs about social mobility and social justice. Latin America and Europe show on average, very similar and more intense preferences for redistribution than US citizens.⁷ Secondly, there is a great deal of variation among Latin American countries. Venezuela is a curious outlier with only 18% of respondents in the strongly agree category (it is the only LAC country with less intense preferences than the US), whereas the measure reaches more than 70% in Paraguay.

Finally, Figures 4 and 5 provides the pooled distribution of answers to the questions on whether the *government should implement policies to reduce income inequality between the rich and the poor*” (0-6 scale, with 6 being the strongly agree category) and whether the *government, more than individuals, is the most responsible for ensuring the well-being of the people*” (0-6 scale, with 6 being the strongly agree category). Both figures are striking illustrations of the current position of the “median voter” regarding preferences for redistribution in Latin America.

⁶ Given that the ISSP only included three Latin American countries (Chile, Uruguay, Venezuela), we are not able to exploit the richness of this data set in this paper.

⁷ The mean values for Latin America and Europe are 48.8% and 42.2% respectively, in comparison with only 28% in the US.

They provide enough evidence to rule out the possibility that demand for redistribution is low in the region.

<Figures 4 and 5>

II. Who demands redistribution? Survey evidence

In the previous section we have shown that in general, preferences for redistribution are intense in Latin America. In this section we focus on the determinants of preferences for redistribution by drawing on the 2008 wave of LAPOP. The 2008 survey contains public opinion data on 18 countries in LAC, and uses a common design for the construction of a multi-staged, stratified sample (with household level quotas) of approximately 1,500 individuals per country.⁸ The main advantages of LAPOP (in contrast to the most commonly used *Latinobarometro*) is its sample coverage: the survey is specifically designed to be fully representative of the voting age population of each of the 18 countries included in the survey, including rural areas (Booth and Seligson 2008). The total pooled sample N was 29,934⁹. To tap public support for redistribution, we use the two survey questions previously introduced: the *government should implement policies to reduce income inequality between the rich and the poor*” (0-6 scale, with 6 being the strongly agree category) and whether the *government, more than individuals, is the most responsible for ensuring the well-being of the people*” (0-6 scale, with 6 being the strongly agree category). Given the highly skewed distributions of both variables (see Figures 4 and 5 above), we decided to dichotomize them and generate dummy variables where respondents placing themselves on the strongly agree category (=6) are coded as 1 and 0 otherwise.¹⁰ Thus, the analysis on this section is based on a simple logistic regression where we seek to find individual

⁸With the exception of Bolivia (N=3,000), Ecuador (N=3,000), and Paraguay (N=1,166).

⁹ The Appendix 1 provides information on the sample size for each country.

¹⁰ As a robustness check, we also tried other cut points (such as category 5 and 6=1, and the rest=0) and the results remain unchanged.

level attributes and attitudes that are correlated with preferences for redistribution as shown by the following equation:

$$Y^* = \mathbf{X}_i\beta + \epsilon_i$$

in which Y^* is a latent variable representing the unknown level of support for redistribution, and \mathbf{X} a vector of independent variables to be discussed below. Before we describe the covariates, note that one advantage of our dependent variables is that they shed light on the commonly made distinction between the two dimensions of the modern welfare state and redistribution:

redistribution as transfers from the rich to the poor (as in the classic Meltzer and Richards 1981 median voter model) and redistribution as a form of insurance or protection against risks (Meone and Wallerstein 2001). While the question on policies to reduce inequality clearly pertains to the first dimension or notion of redistribution, it seems plausible to assume that the question on individual vs. state responsibility taps at least part of the second dimension.¹¹ However, it is important to acknowledge several problems inherent to the type of dependent variables included in this and other studies. As argued by Kenworth and McCall (2008), the variables lack a measure of constraints or “tradeoffs”: in other words, the questions don’t tap on the key issue of how much respondents are willing to pay for redistribution.¹² Secondly, the reference point is missing: we cannot tell from these questions whether respondents who strongly agree with the statements believe their position implies more redistribution than actually occurs.

¹¹ For example, that the exact wording of the question includes an insurance element (*The [Country] government, more than individuals, is the most responsible for ensuring the well-being of the people. To what extent do you agree or disagree with this statement?*) is reassuring.

¹² How serious is this concern? Take for example the 2002 round of Latinobarometro, where respondents were asked to agree or disagree with the following statement: “*Taxes should be as low as possible, even if welfare spending suffers.*” More than two thirds of respondents (67.22%) either “somewhat” or “strongly” agreed with the statement. Thus, tradeoffs do seem to make a difference and present a serious challenge to studies (such as this one) that do not account for them.

Turning now to a review of the independent variables, several individual level socio economic attributes haven been proposed by the literature as key determinants of redistributive preferences, the most important of which is probably the income level. As suggested by the median voter model of redistributive politics (Meltzer and Richards 1981) and recent extensions of this logic (Acemoglu and Robinson 2006; Boix 2003), it is those who stand to gain from transfers that favor redistribution (e.g., the poor) and it is those who lose from redistribution that turn against it (e.g., the rich). The income level is measured through the *Income decile* variable, indicating the decile of the respondent's family income based on his or her country's income distribution. As a complement to the income variable, we also construct an "*asset/wealth*" measure, that is, an additive index reflecting the possession of durable goods and services in the respondent's household.¹³ We expect individuals taking higher values in both of these variables to be less likely to support redistribution. *Education Years* is equal to the respondent's years in school. According to Iversen and Soskice (2001) and Cusack et al. (2006), education is a (blunt) proxy for the level of skill specificity of the individual, a key determinant of redistributive preferences in the OECD. People with a high level of education have more general or transferable skills, and this is supposed to act as a buffer against the risk of income loss. As with the previous variables, we expect the level of education to be negatively correlated with the dependent variables. I also include *Age* and its square term. Older people are more likely to support redistribution to the extent that they are more likely to draw upon state provided health or retirement benefits (Finseras 2009). Moreover, given that several studies (Cusack et al. 2006; Iversen and Soskice 2001) propose gender based differences in attitudes towards redistribution, a *Female* dummy is introduced. Finally, if exposure to labor market risks is a key factor shaping

¹³ Such as potable drinking water, indoor plumbing, television, refrigerator, cell phone, automobiles, washing machine, microwave oven, etc (See Appendix 2 for a full description of all independent and dependent variables used in this section).

redistributive preferences (Cusack et al. 2006; 2007) then we would expect individuals with and without employment to differ in their support for redistribution. Thus, I include a dummy for whether the person holds a regular job (*work*).

In addition to objective socioeconomic factors, the survey includes questions regarding the subjective well being of each individual. Thus, we include a variable based on a question about the sufficiency (or insufficiency) of the household's income (*income satisfaction*). Table 4 presents the cross tab between this subjective income variable and our previous objective measure of income (*income decile*) collapsed into five categories or quintiles.

<Table 4>

Note that among those who consider their income to be extremely insufficient to cover needs, 85% belong to the bottom two quintiles. However, only 42% of respondents who consider their economic situation to be good enough to save belong to the top two quintiles, implying that individuals seem unwilling to cluster in this optimistic subjective category. That the correlation among these two variables is far from perfect¹⁴ suggests important differences between individual actual and perceived economic situations.¹⁵ In any case, following the median voter logic we expect individuals reporting greater perceived economic ease to oppose redistribution.¹⁶

So far the discussion has exclusively focused on the socioeconomic determinants of preferences for redistribution. A commonly acknowledged problem with the median voter framework is that it is inherently unidimensional (Iversen 2006): the economic dimension (e.g. income level) is the most salient issue and is the exclusive driver of voter's preferences. In a

¹⁴ The correlation coefficient is actually only .42.

¹⁵ On the differences between objective and subjective wellbeing, see IADB (2008).

¹⁶ Due to missing values, we are unable to test the *prospects of upward mobility* (POUM) hypothesis (Piketty 1995; Benabou and Ok 2001; Fong 2006). The POUM hypothesis says that the more optimistic an individual is about its *future* economic situation, the more likely is she to oppose redistribution. In this scenario, voters who would benefit from redistribution in the short run vote against redistributive policies because they may fear being "soaked" in the future as a result of their ascendance in the income ladder.

reaction to this problem, a growing literature has argued that *non economic* factors such as religion and ethnicity can play an important role in shaping people's preferences as well (De la O and Rodden 2008; Huber and Staing 2007; Scheve and Stasavage 2006). Some of this literature tends to focus on "issue bundling" effects: when political competition is organized around multiple issues, then low-income voters may not necessarily vote for parties that are pro redistribution. Roemer (1998) formalizes this argument by adding to the standard left-right dimension where preferences are determined by income, a religious one, where preferences are determined by religious beliefs. As long as both dimensions are orthogonal, religious individuals who are favorable to redistribution may support political candidates who are less favorable to high taxation but who nonetheless share similar views with regard to religious beliefs. Scheve and Stasavage (2006) find in a series of cross-country tests a significant negative correlation between religiosity (measured as church attendance and belief in God) and levels of social spending in the advanced industrial countries. Focusing on social insurance spending, they argue that this relationship is a consequence of religion and welfare state spending being substitute mechanisms for insuring individuals against adverse life events. In line with this explanation and based on public opinion data, they also find that within countries, individuals who are more religious prefer lower levels of social of government spending on unemployment insurance, health insurance and retirement benefits, when compared with individuals who are more secular.

In a related article, De la O and Rodden (2008) explore whether religion undermines the negative correlation between income and left voting. Their main contribution is to show that there is a second moral values (e.g.: religion) issue dimension with an equal and opposite income correlation as the economic dimension, and in many countries—especially those with proportional electoral systems and large Catholic populations— this dimension has at least as

large an impact on vote choice as the economic dimension. Given this discussion, we introduce two religious variables in our analysis: *religious attendance*, equal to responses to the following question: how often do you attend religious services? on a scale from 0 “never” to 4 “more than once per week”. Secondly, we include a *Catholic* dummy variable equal to 1 if individuals identify themselves as Catholics and 0 otherwise.

Our final set of covariates is made up of political attitudes and views about the preferred economic organization of society. In particular, we introduce the level of *ideological extremism* (left-right dimension) and the degree of *economic nationalism*.¹⁷ We expect individuals on the left and who provide the national government an important role in the economy to be more likely to support redistributive policies. Table 5 presents the individual determinants of the demand for redistribution.¹⁸ A full set of country fixed effects is also included. The fixed effects account for any characteristics, observable or not, that may influence average support for redistribution in each country. Inclusion of the fixed effects is essential given that the questions requires respondents to indicate whether they want the government to reduce income differences, or intervene in the provision of welfare, which is of course affected by the status quo levels of inequality and social policy commitments.

Columns 1 and 2 present the coefficients when the dependent variable is support for the government’s role reducing inequality between rich and poor. Columns 3 and 4 present the coefficients when the dependent variable is support for the government’s role in ensuring welfare.

<Table 5>

¹⁷ The (Country) government, instead of the private sector, should own the most important enterprises and industries of the country. How much do you agree or disagree with this statement? (1=strongly disagree to 7=strongly agree).

¹⁸ See Appendix 2 for a summary list of the variables included in the regression analysis.

We find surprisingly weak empirical support for some of the assumptions underlying most political economy models of redistribution. Although the income decile and “wealth” variables are statistically significant in Model 1, these effects vanish after controlling for other variables (Model 2) and some are “wrongly” signed in Model 4.¹⁹ Based on Model 1, Figure 6 shows that the predicted probability of supporting redistribution at each income level with all other independent variables held at their means. The difference in support between the poorest and richest decile is no more than six percentage points. Also note that the work variable has no significant effect. One possible explanation for this negative finding is a high degree of heterogeneity in the base category (individuals that are not currently employed are among others, students or pensioners who may prefer different levels of redistribution).

<Figure 6>

Among the few consistent statistically significant variables in all models are *Age* and its square term, which suggest an inverted U shape between age and demand for redistribution. In contrast, note that several subjective indicators do seem to play a stronger role in shaping redistributive preferences (Model 2). First, regardless of the “objective” position in the income distribution, the difference in support for redistribution between individuals who are mostly satisfied with their income and those who are least satisfied is more than ten percentage points (Figure 7).

<Figure 7>

Secondly, Catholicism is consistently negatively related to support for redistribution in both of its variants (social insurance and transfers from rich to poor).²⁰ Several channels could be

¹⁹ These findings challenge those of Gaviria (2007) who argues that the income level is a strong predictor of support for redistribution. His model is based on data from 1996 and the source is Latinobarometer.

²⁰ We also introduced an interaction term between *Catholic* and *Religious attendance*. While negative, the effect was statistically insignificant in all models.

at play to explain this relationship: on the one hand, Catholics may be more willing to direct redistributive efforts through charity and the church rather than through the state.²¹ On the other, the Catholic's Church social teaching, in particular, its principle of *subsidiarity*, may have been propagated among believers. Finally, there is a strong correlation between support for redistribution and economic nationalism. The correlation between both attitudes provides the basis to introduce in future versions of the paper an index of support for government intervention in the economy based on responses to questions on the role of government in different economic activities and the provision of welfare.

III. National level correlates of individual level preferences: exploratory analysis

In the models discussed above, country fixed effects were introduced to statistically control for “unobserved heterogeneity”. In this section we provide some details on what this type of heterogeneity may mean substantially. Thus, we start to explore whether preferences for redistribution are linked in any systematic way to the broader socioeconomic and political context in which preferences for redistribution are formed. From the outset, it should be noted that an important limitation of the following analysis is that it rests on simple bivariate correlations. While the proper econometric techniques to empirically tackle relationships among individual and national level variables (hierarchical or multilevel models) are not included in this paper²², the simple correlations to be shown below at least provide a starting point in the study of the links between the broader sociopolitical context and individual level preferences. The following analysis is thus based on the relationships between country average values of our two

²¹ For a more general discussion of this issue, see Huber and Stanig (2009).

²² See Finseras (2009) for an interesting multilevel model that assesses the link between income inequality and the demand for redistribution in 22 European countries. In future versions of this paper, I plan to adopt a similar empirical strategy but with a focus on Latin America and a broader set of covariates.

dependent variables and different aspects of the socioeconomic and political environment like the level of ethnic fractionalization, unemployment levels, and left voting.

Recent research has placed *ethnicity* as a key factor shaping redistributive preferences and policy outcomes. This research mainly focuses on the negative relationship between ethnic heterogeneity and public goods provision.²³ Looking at the demand side of this link, several empirical and experimental studies show that ethnic fractionalization generates a type of preference divergence that is inimical to redistribution involving transfers *between* groups (Alesina et al. 1999; Wantchekon 2003). This racial animosity argument states that people are more likely to be hostile to people who are different, that is, toward people who are defined as members of an out-group along some salient dimension.²⁴ When there are significant numbers of minorities among the poor, then the majority population is averse to transfer resources to people who are different from themselves. As a result of these dynamics, one should expect less demand for redistribution in more fractionalized countries. Figure 8 provides some preliminary evidence consistent with this argument, based on the cross sectional variation in ethnic fractionalization scores based on Alesina et al. (2003) and the percentage of respondents who strongly agree that government should implement policies to reduce inequality.

<Figure 8>

In addition to social structure, the economic context has been shown to determine individual level preferences for redistribution as well (Alesina and Giulano 2008; Giulano and Spilimbergo 2008). In a recent article based on GSS and WWS data, Giulano and Spilimbergo (2008) show that macroeconomic history can have profound effects on individual attitudes towards redistribution. In particular, the authors use matching techniques to show that

²³ For a review see Habyarimana et al. (2007).

²⁴ A different argument, favored by Alesina and Glaeser (2004) focuses on political entrepreneurship and its role in creating racial divisions among voters.

individuals who were subject to macroeconomic volatility (economic shocks), especially during early adulthood, support more government redistribution. As one of the most economically volatile regions in the world, this argument could travel well to Latin America.

On a first cut, we found no statistically significant correlation between economic volatility (measured as the standard deviation in growth rates between 1997 and 2007) and any of our dependent variables. However, other macroeconomic characteristics may be playing a role. As shown in Table 3 (section I), unemployment is consistently ranked by Latin American citizens as the most serious problem in the region. Figure 9 shows that countries with relatively higher unemployment rates (average 1997-2007) are also those in which preferences for redistribution are more intense. Thus, while at the individual level we found no significant effect of being employed for preferences for redistribution, in a macroeconomic context where the risk of unemployment is high enough, we would expect both insiders and outsiders the labor market to support redistribution.

<Figure 9>

So far we have only looked at socioeconomic contextual characteristics. Thus, we close this last section with reference to macro political features. A rich tradition in political science, known as “power resource theory”, centers its analysis on class relations to argue that the distribution of power between labor and capital in the political system is the main determinant of the distribution of income in advanced capitalist economies (Huber and Stephens 2001). In particular, the more political power in the hands of unions and the stronger the leftist parties, the more redistribution in the form of generous welfare states. A possible extension of this line of argument is to study whether countries where the left is stronger, are also the ones in which individuals support more redistribution. Figure 10 is one data point on this direction, showing

that there exists a positive relationship between the electoral strength of the left and preferences for redistribution.²⁵

<Figure 10>

Finally, an important issue that is generally overlooked or taken for granted in the literature focused on OECD countries is that of “state capacity”. Mares (2005) is an exception to this omission. She argues that a key political intervening variable between the demand and the supply of social protection is the capacity of the state to enforce policies. Faced with a weak and inefficient state—that is unable to collect social insurance contributions from those groups that are net contributors to the system—sectors that should benefit from protection might find instead state-administered social policies unattractive, and hence, oppose policy proposals aimed at the expansion of social insurance coverage. Figures 11 and 12 show that two proxies for state capacity from the World Bank’s Governance Indicators, such as a measure of “government effectiveness”²⁶ and “control of corruption”²⁷, are both positively related to the county mean values of our dependent variables.

<Figures 11 and 12>

Conclusion and the agenda ahead

The literature on preferences for redistribution and the “fiscal/social contract” (Alesina and Gleasear 2004; Benabou 2000; Benabou and Tirole 2006) has exclusively focused on the distinction between the US and European welfare systems. The conventional wisdom that

²⁵ Left vote share data is from Murillo, Oliveros and Vaishnav (2008). The redistribution variable in this case is from Latinobarometro 2004 and is the proportion of individuals who support government being responsible for the welfare of individuals.

²⁶ *Government effectiveness* measures the quality of public services, the capacity of the civil service and its independence from political pressures; and the quality of policy formulation (Kaufmann et al. 2007).

²⁷ *Control of corruption* measures the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as “capture” of the state by elites and private interests (Kaufmann et al. 2007).

compares these regions proposes a more or less direct link between 1) beliefs about the causes of wealth and poverty, 2) preferences for redistribution, and finally, 3) fiscal policy outcomes. This view can be summarized in the following quotation, which is worth citing at length:

“Because of imperfect willpower, people continually strive to motivate themselves (or their children) toward effort, In such circumstances, maintaining somewhat rosy beliefs about the fact that everyone will ultimately get their “just desserts” can be very valuable. If enough people thus end up with the view that economic success is highly dependent on effort, they will represent a pivotal voting bloc, and set a low tax rate. Conversely, when people anticipate little redistribution, the value of a proper motivation is much higher than with a generous safety net and high taxes. Everyone thus has greater incentives to believe in self-sufficiency, and consequently more voters end up with such a world-view. Due to these complementarities between individuals’ ideological choices, there can be two equilibria. A first, “**American**” **equilibrium** is characterized by a high prevalence of just-world beliefs and a relatively laissez faire public policy. The other, “**European**” **equilibrium** is characterized by more pessimism and a more extensive welfare state (Benabou and Tirole 2006, p. 700).

But what about a third equilibrium (Latin America) where the demand for redistribution is just as (or arguably even more) intense as in Europe but where (fiscal) policy outcomes look more like the “laissez faire” US system? The literature thus overlooks interesting theoretical and empirical equilibria, characterized by a lack of consistency between individual beliefs, preferences and policy outcomes.

This paper provides an entry point to the study of such equilibria, by focusing on Latin America, the region with the highest levels of inequality in the world. We have exclusively focused on the demand side of redistribution, given that the supply side has been extensively studied elsewhere, although from an economic/fiscal perspective with less emphasis on political detail.²⁸ We hope to have shown that the generally low equilibrium level of income redistribution in the region cannot be a function of a lack of demand for redistributive policies on behalf of common citizens. With respect to the individual level determinants of preferences, we found that objective socioeconomic indicators are in general weak predictors, with other attributes such as religion and subjective indicators of economic wellbeing providing more explanatory power. We also found in an exploratory analysis that individual level attributes are

²⁸ See Lindert et al. (2006) and Goni et al. (2009)

not the whole part of the story in shaping preferences. In particular, the level of ethnic fractionalization, the macroeconomic context and characteristics of the political environment may be playing a role as well.

These preliminary results are only the starting point in a research agenda that tries to shed light on the political determinants of income redistribution in Latin America. Our point of departure was to focus on individual level preferences, given that preferences provide firm micro foundations in all political economy theories of redistribution. However, preferences constitute only one building block in the political economy of income redistribution. In order for preferences to affect outcomes, the former need to be somehow aggregated. Thus, a crucial next step on the agenda is to explore in depth the role of institutions, political coalitions and power relations. By focusing on the incentives of politicians to supply (or not) redistributive policies, we will be able to explain variation in equilibrium levels of income redistribution across Latin America, and elsewhere.

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Tables and Figures

Table 1. Beliefs about poverty in the United States, Europe and LAC

Belief	United States	European Union	Latin America
Believe that the poor are trapped in poverty	29%	60%	62%
Believe that luck determines income	30%	54%	55%
Believe that the poor are lazy	60%	26%	28%

Source: World Values Survey (various years) and Alesina and Gleaser (2004)

Table 2. Perceptions of Social Justice in Latin America

Question	1996	1998	2000	2002	2006	2007
Opportunities to escape poverty						
All have equal opportunities	...	...	25.9	...	31.9	
All do not have equal opportunities	...	...	74.1	...	68.1	
Causes of poverty						
Lack of effort	...	...	36.5	...	...
External circumstances	...	...	63.6	...	...
Success depends on connections						
Yes	76.4	71.3	71.5	68.6	...	
No	23.6	28.7	28.5	31.4	...	
Hard work does not guarantee success						
Yes	55.6	54.9	53.8	58.1	...	
No	44.4	45.1	46.2	41.9	...	
Poor person can become rich through hard work						
Yes	...	...	...	...	...	59.7
No	...	...	...	...	...	40.3

Source: Gaviria (2007) and Latinobarometro (various years)

Table 3. Inequality on the agenda (% of respondents in parenthesis)

Year	Problem and Ranking				# problems
	Unemployment	Crime/Insecurity	Inequality/Poverty Lack of opportunities	Other	
2007	1 (18.41)	2 (17.13)	3 (10.88)	---	27
2006	1 (24.49)	2 (16.31)	3 (11.65)	---	27
2005	1 (30.69)	2 (14.01)	4 (7.78)	Crisis/Inflation 3 (8.71)	26
2004	1 (29.91)	4 (9.92)	3 (11.35)	Crisis/Inflation 2 (15.49)	22
2003	1 (28.37)	4 (8.31)	2 (12.43)	Low salaries 3 (10.73)	19
2002	1 (25.25)	4 (7.41)	2 (13.34)	Low salaries 3 (11.78)	19
2001	1 (22.63)	3 (9.06)	2 (12.88)	Corruption 3 (10.21)	19
2000	1 (21.48)	4 (8)	3 (9.37)	Education 2 (21.31)	16
1998	1 (20.05)	8.01	3 (9.03)	Education 2 (19.29)	15
1997	1 (20.67)	7.46	3 (10.95)	Education 2 (14.41)	15
1996	1 (23.96)	6.38	4 (10.3)	Education 2 (14.41)	13
				Inflation 3 (10.5)	
1995	1 (22.89)	5.37	3 (12.42)	Low salaries 2 (12.69)	15

Source: Latinobarometro

Table 4: Objective and subjective wellbeing

Quintile	Not enough, great difficulties	Not enough, difficulties	Just enough	Good enough, able to save	Total
1	1,915	3,004	1,364	128	6,411
	29.87	46.86	21.28	2	25.12
	<i>49.77</i>	<i>30.89</i>	<i>13.84</i>	<i>6.1</i>	
2	1,333	4,036	3,213	450	9,032
	14.76	44.69	35.57	4.98	35.38
	<i>34.64</i>	<i>41.5</i>	<i>32.61</i>	<i>21.44</i>	
3	475	1,954	3,139	622	6,190
	7.67	31.57	50.71	10.05	24.25
	<i>12.34</i>	<i>20.09</i>	<i>31.86</i>	<i>29.63</i>	
4	97	574	1,489	499	2,659
	3.65	21.59	56	18.77	10.42
	<i>2.52</i>	<i>5.9</i>	<i>15.11</i>	<i>23.77</i>	
5	28	157	649	400	1,234
	2.27	12.72	52.59	32.41	4.83
	<i>0.73</i>	<i>1.61</i>	<i>6.59</i>	<i>19.06</i>	
Total	2,099	9,854	9,725	3,848	25,526
	<i>8.22</i>	<i>38.6</i>	<i>38.1</i>	<i>15.07</i>	

Note: in bold, row percentages; in italics: column percentages.

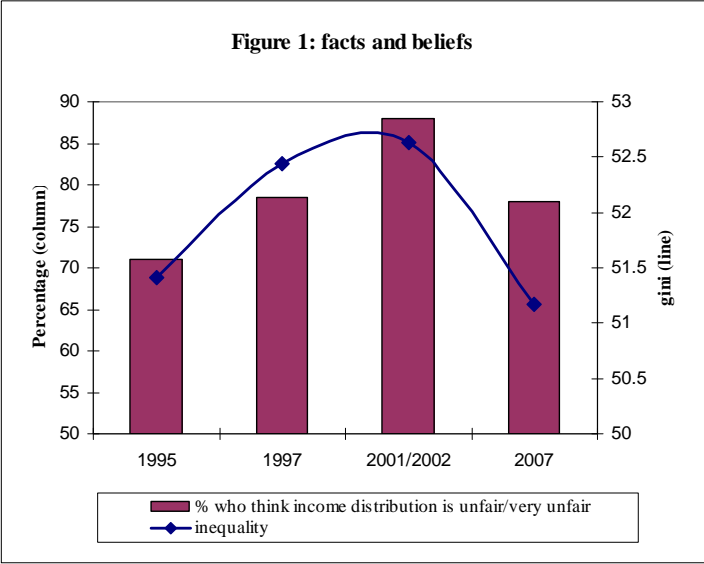
Source: LAPOP (2008)

Table 5: Individual determinants of preferences for redistribution

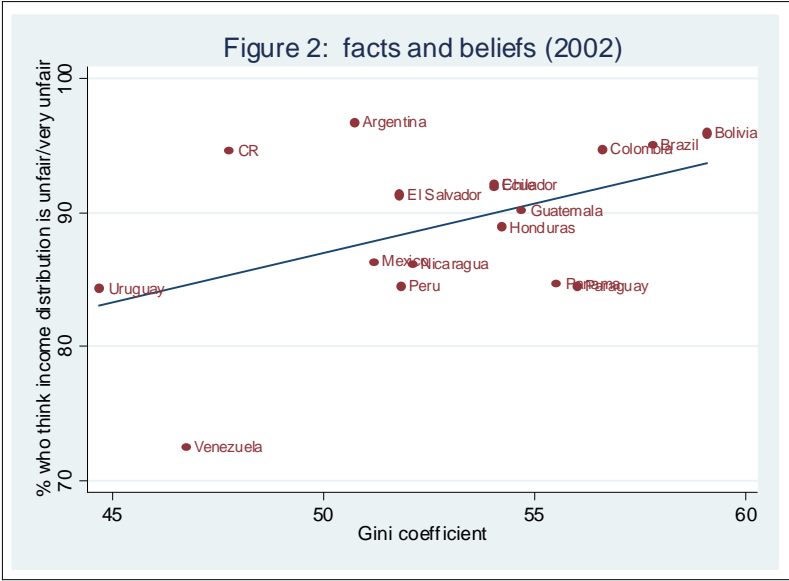
Dependent variables	Govt. reduce inequality		Govt. responsible welfare	
Independent variables	1	2	3	4
Income decile	-0.028** (0.012)	-0.006 (0.012)	-0.005 (0.010)	0.020* (0.011)
Assets	-0.024* (0.024)	0.001 (0.012)	-0.013 (-0.011)	0.011 (0.010)
Education	0.008 (0.007)	0.017** (0.007)	0.000 (0.009)	0.009 (0.009)
Age	0.018*** (0.006)	0.021*** (0.006)	0.013** (0.006)	0.017** (0.007)
Age^2	-0.0001*** (0.000)	-0.0001*** (0.000)	-0.0001* (0.000)	-0.0001* (0.000)
Female	-0.056 (0.037)	-0.068 (0.046)	-0.043 (0.036)	-0.080* (0.044)
Work	0.008 (0.041)	0.005 (0.056)	0.049 (0.046)	0.028 (0.049)
Income satisfaction		-0.139*** (0.045)		-0.112*** (0.034)
Religious attendance		-0.037 (0.025)		-0.007 (0.022)
Catholic		-0.133*** (0.043)		-0.112*** (0.035)
Ideological extremism		-0.029* (0.015)		-0.007 (0.013)
Economic nationalism		0.164*** (0.022)		0.204*** (0.027)***
<i>Country fixed effects</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>
<i>Observations</i>	24548	18930	24602	19017
<i>Number of countries</i>	18	18	18	18

Country clustered robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1

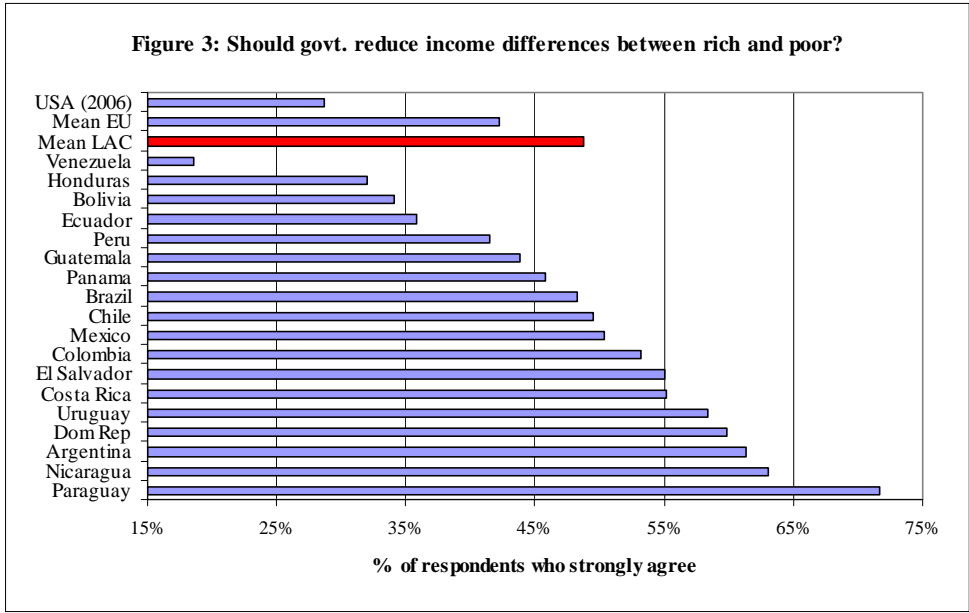
Source: LAPOP 2008



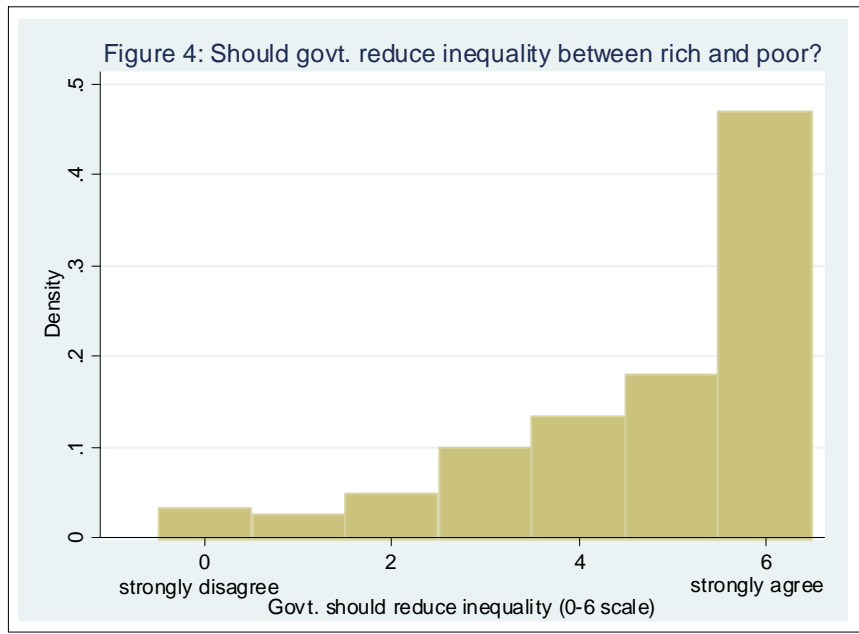
Source: Latinobarometro and CEDLAS



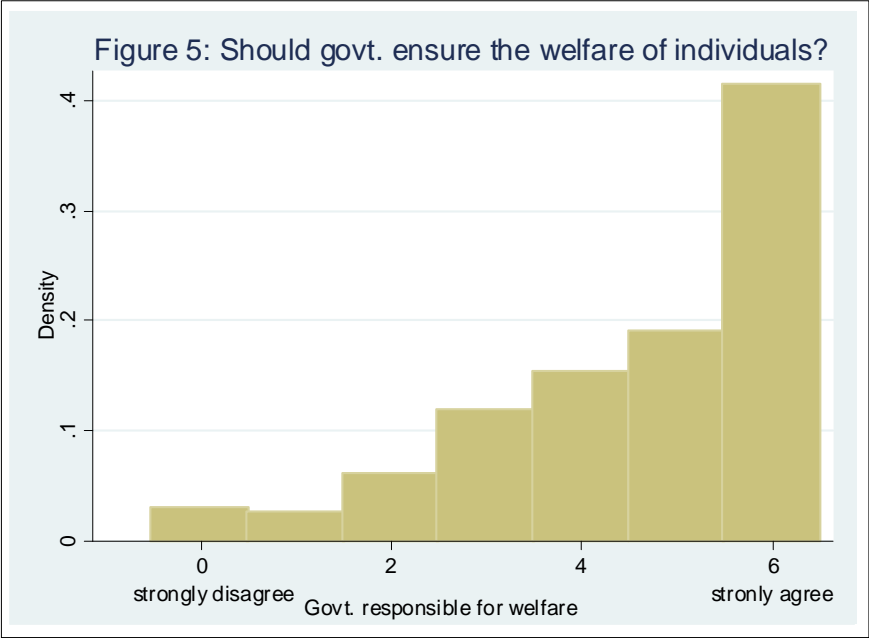
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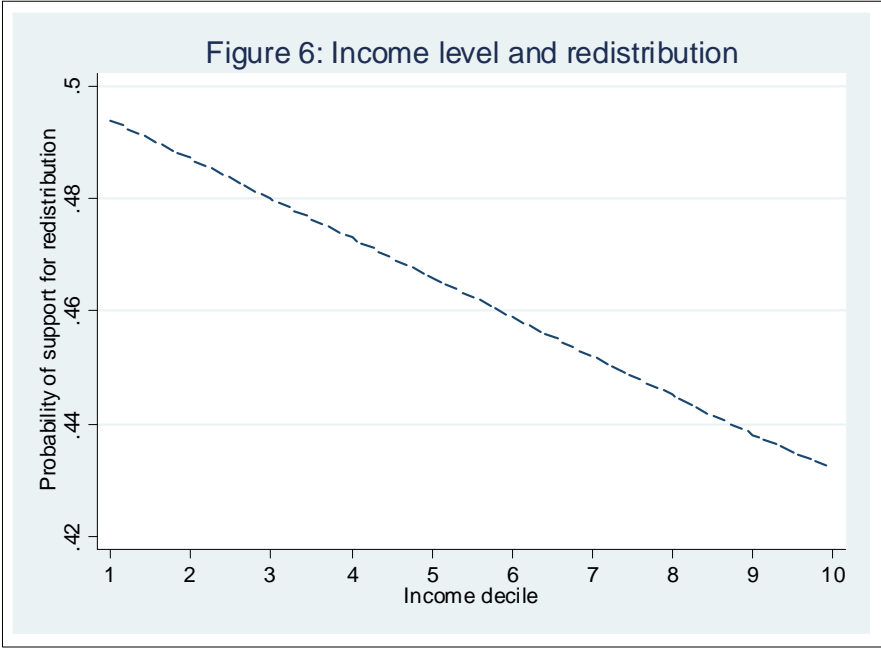
Source: ISSP and LAPOP



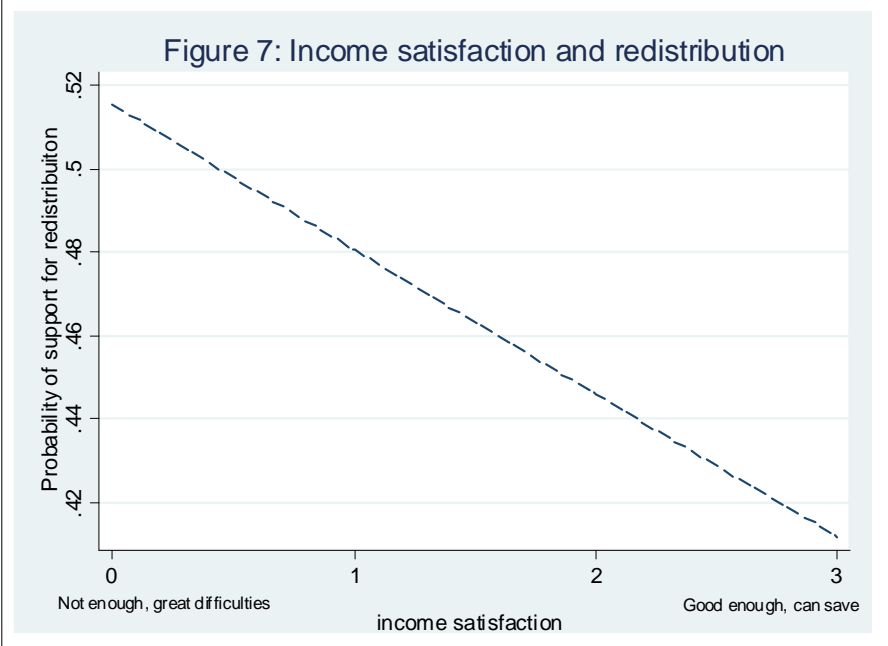
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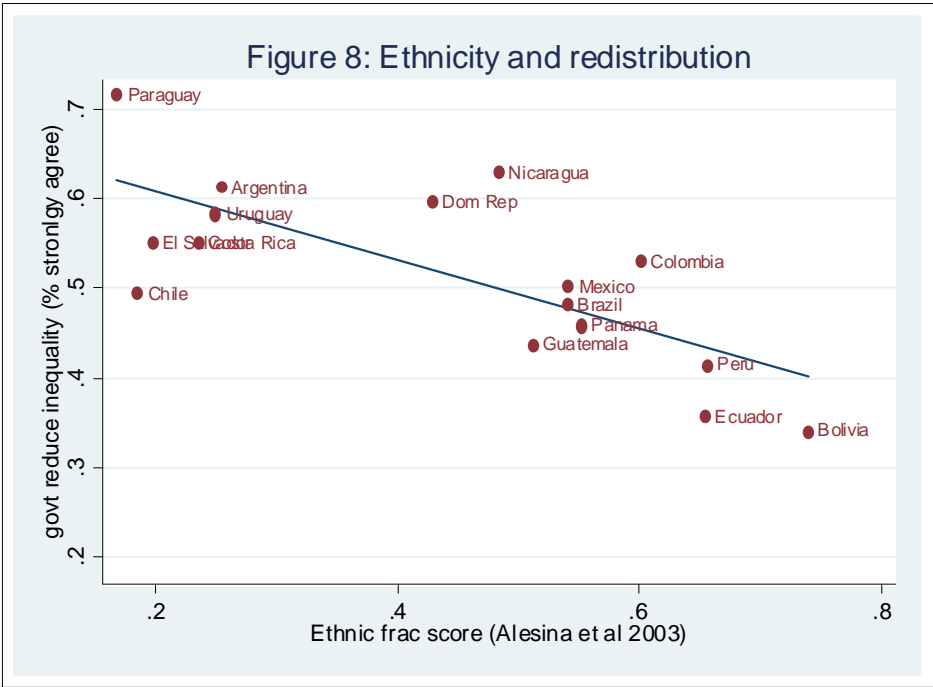
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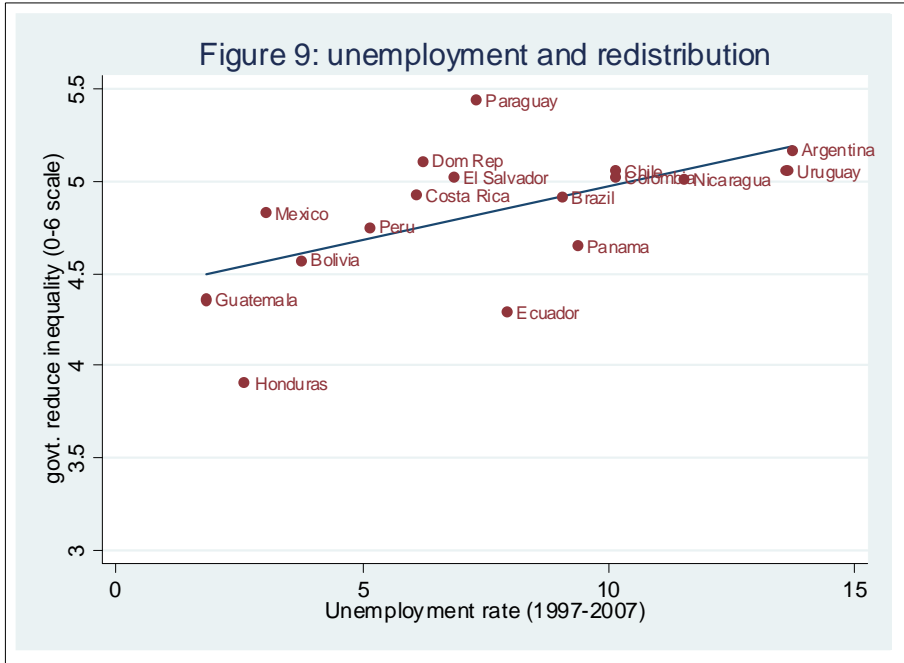
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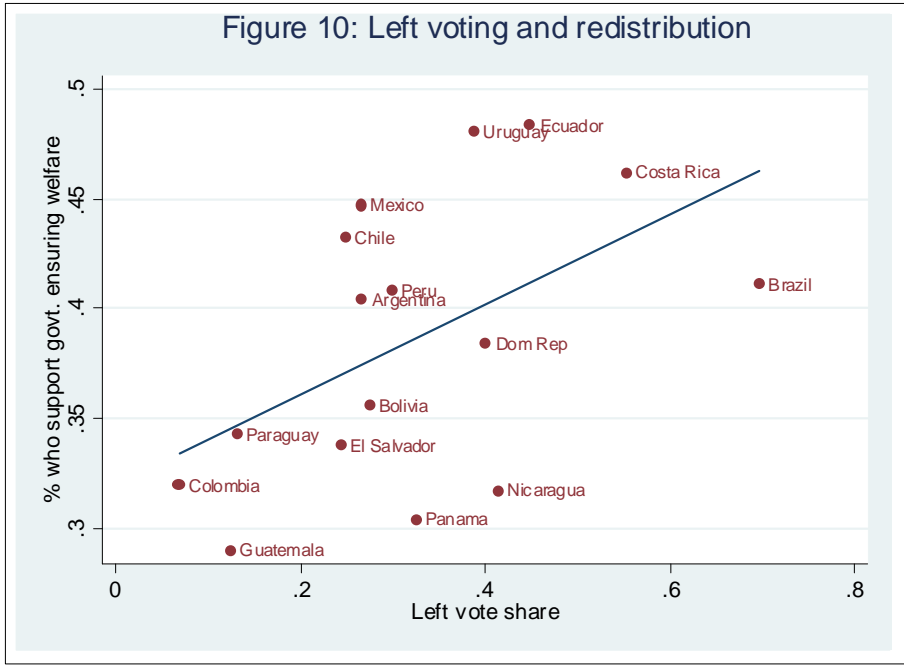
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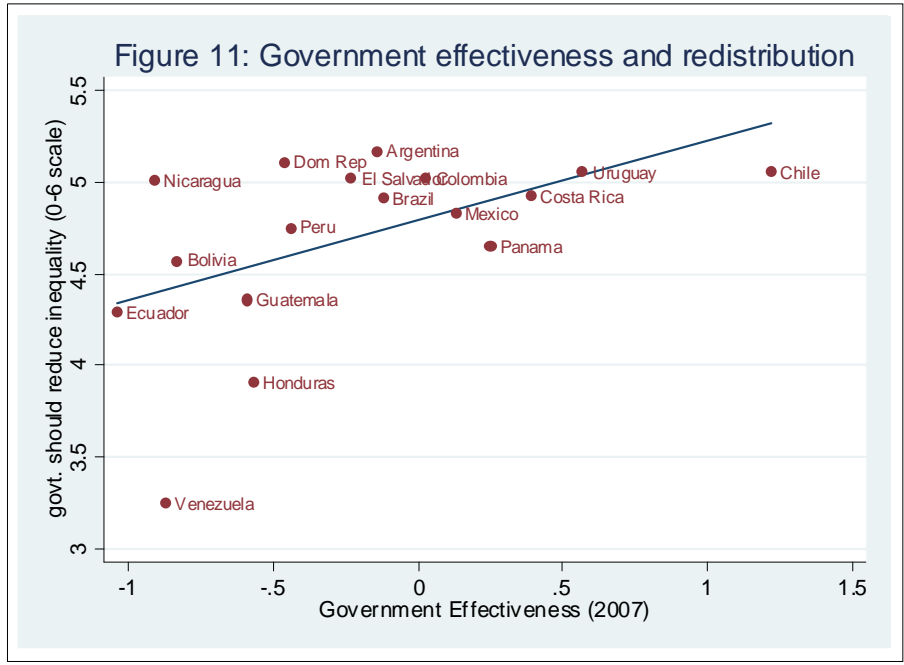
Source: Alesina et al (2003), LAPOP



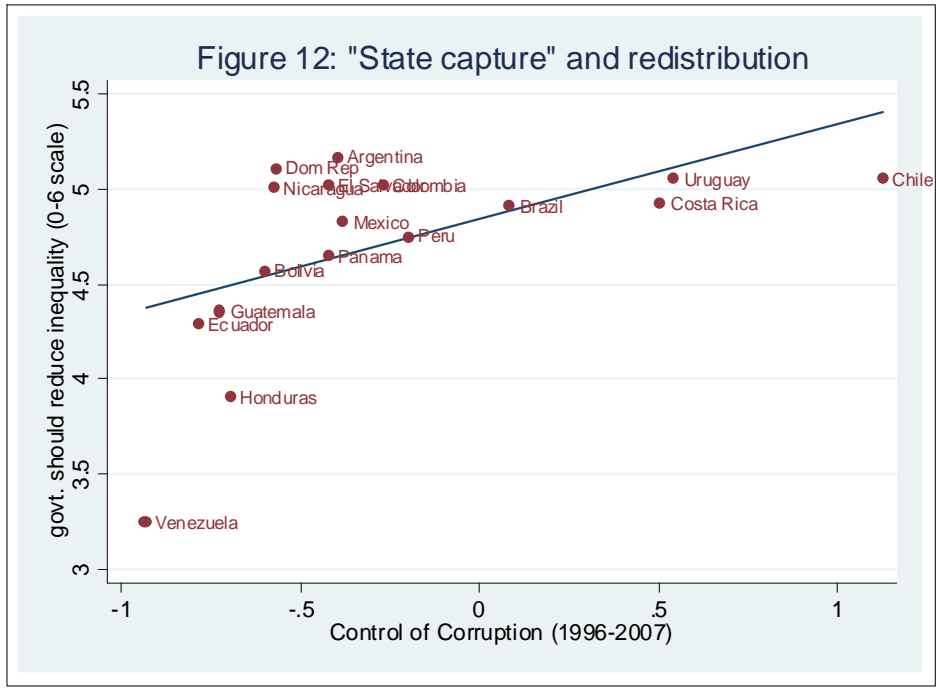
Source: CEDLAS and LAPOP



Source: Murillo et al (2008) and LAPOP



Source: WDI and LAPOP



Source: WDI and LAPOP

Appendix 1: Sample size

The 2008 LAPOP sample

Country	Sample size	% of entire sample
Argentina	1,486	4.96
Bolivia	3,003	10.03
Brasil	1,497	5
Chile	1,527	5.1
Colombia	1,503	5.02
Costa rica	1,500	5.01
Dominican Republic	1,507	5.03
Ecuador	3,000	10.02
El Salvador	1,549	5.17
Guatemala	1,538	5.14
Honduras	1,522	5.08
Mexico	1,560	5.21
Nicaragua	1,540	5.14
Panama	1,536	5.13
Paraguay	1,166	3.9
Peru	1,500	5.01
uruguay	1,500	5.01
Venezuela	1,500	5.01
Total	29,934	100

Appendix 2: Summary of variables presented in Table 5

Variable	Description	Mean	Std. Dev.	Min	Max	Obs
<i>Independent variables</i>						
Income decile	The decile of the respondent's family income based on his or her country's income distribution.	4.178043	2.206809	1	10	25842
Assets/Wealth	An index constructed based on the respondent's report of possessing access to various goods and services: tv, refrigerator, telephone, cellular phone, vehicle, washing machine, microwave oven, motorcycle, indoor plumbing, indoor bathroom, computer	5.382755	2.476951	0	12	29771
Education	Total years of education completed	8.992031	4.596649	0	21	29742
Age	In years	38.89108	15.95321	16	101	29856
Female	Dummy variable=1 if female, 0=male	0.5152	0.499777	0	1	29934
Work	Dummy variable=1 if respondent in paid work, 0 otherwise	0.535421	0.498752	0	1	29855
Catholic	Dummy variable=1 if respondent identifies as Catholic, 0 otherwise	0.732237	0.442801	0	1	29739
Religious attendance	How often do you attend religious services? 0. Never; 1. Once or twice a year; 2. Once a month; 3. Once per week; 4. More than once per week	2.11914	1.366004	0	4	28840
Ideological extremism	Left right scale (0=extreme left, 9=extreme right) The (Country) government, instead of the private sector, should own the most important enterprises and industries of the country.	4.694462	2.45775	0	9	23781
Economic nationalism	How much do you agree or disagree with this statement? (1=strongly disagree to 7=strongly agree).	4.43317	2.130495	1	7	28086
Subjective income	The salary that you receive and total family income: 1. Is enough, so that you can save 2. Is just enough, but you can not save 3. Is not enough, you can not pay your bills 4. Is not enough, you can not cover your basic needs	1.395371	0.843256	0	3	29165
<i>Dependent variables</i>						
Govt. reduce inequality	The (Country) government should implement firm policies to reduce inequality in income between the rich and the poor. To what extent do you agree or disagree with this statement? 0-6 scale (0=strongly disagree, 6=strongly agree)	4.707329	1.630072	0	6	28585
Govt. responsible welfare	The (Country) government, more than individuals, is the most responsible for ensuring the well-being of the people. To what extent do you agree or disagree with this statement?	4.574713	1.619978	0	6	28703

Source: LAPOP 2008