Preferences for redistribution in Latin America

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ABSTRACT

This paper examines redistributive preferences in Latin America, a region with some of the highest global levels of inequality. Using a unique survey from eight Latin American countries, the study investigates factors shaping these preferences, such as self-interest, perceptions of inequality, values and the relationship between citizens and the public sphere. Despite high support for progressive taxation, specific fiscal measures receive less endorsement. Lower income individuals and those exposed to negative income shocks are more supportive of redistribution, while political ideology significantly influences preferences, with left-wing voters showing greater support. Misperceptions about one's position in the income distribution and widespread misinformation about redistributive policies contribute to limited support for certain measures. Perceptions of government corruption and elite capture lead to support for taxing the rich, but not for expenditures on the poor.

Key words: redistribution; income inequality; public finance; Latin America

Introduction

Latin America and the Caribbean (LAC) is among the regions with the highest global levels of inequality. Apart from Argentina, Uruguay and, to some extent, Brazil, income redistribution in the region is minimal (Izquierdo et al. 2018). This limited redistribution results from a mix of political and institutional constraints, ineffective policies and potentially low demand for redistribution among citizens. Using a unique survey from eight Latin American countries, this paper examines the redistributive preferences of Latin Americans and investigates the factors shaping these preferences.

A significant proportion of Latin Americans are dissatisfied with the current income distribution. Eight out of 10 believe the distribution is unjust (Latinobarómetro 2023), a sentiment echoed worldwide but particularly pronounced in Latin America.[1] This sense of unfairness extends beyond income to access to quality education, healthcare and the justice system (UNDP 2022).

Given this dissatisfaction, do Latin Americans support redistribution? Factors such as self-interest, perceptions of inequality, individual values and the citizen–public sphere relationship influence support. This paper reviews the international literature and provides new insights on these issues relying on a survey administered in eight Latin American countries.

[1] Comparison between results from Latinobarómetro (2023) and International Social Survey Programme (2022) based on the question 'How fair do you think the distribution of income is?'

While there is strong support for progressive taxation, the endorsement of redistribution through specific fiscal measures diminishes. Over three-quarters support progressive taxation, but there are discrepancies in the support of specific fiscal instruments. Two-thirds support higher corporate taxes, yet only one-third agree with broadening the personal income tax base. Support for increases in spending on noncontributory pensions and conditional cash transfers (CCTs) is also limited, with around 50 and 40% favoring these measures, respectively.

Support for redistribution is influenced by self-interest, economic prospects and exposure to shocks. Lower income individuals are more supportive of redistribution, while those expecting upward mobility tolerate inequality more. Having experienced a negative income shock increases support for redistribution and higher taxes for social programs.

Political ideology also shapes redistributive preferences. Left-wing voters support redistribution more than right-wing voters, showing 10% points higher support for corporate taxes. Right-wing voters are less likely to support social transfer programs. Most respondents see inequality of opportunities as a problem. Those perceiving more inequality of opportunities support progressive taxes and corporate taxation but are not necessarily more supportive of raising income or value-added Tax (VAT) for social programs.

Despite accurate perceptions of overall income inequality, many misjudge their position in the income distribution, with nearly half placing themselves two deciles below their actual

position. This misperception correlates with less support for broadening the income tax base, raising VAT and expanding CCTs. Misinformation about redistributive policies may also explain limited support among specific groups.

Limited support for redistributive policies may stem from perceived corruption among elites and the government, leading to a desire to punish the rich rather than genuine support for redistribution. Over 80% believe wealthy individuals and corporations bribe and influence legislation. This perception, combined with low trust in government and the private sector, may drive support for taxing the rich to punish perceived undeserved wealth.

Despite the limited support for redistribution, our survey highlights promising opportunities for governments aiming to reduce inequality. A majority of respondents, 80%, trust the government to address inequality of opportunities. Those who perceive the government as effective in redistribution are more supportive of it in various forms. Additionally, there is a positive correlation between satisfaction with public services and support for increased government intervention to mitigate inequality.

The rest of the paper is organized as follows. Section 2 describes the novel data used in this study. Section 3 examines support for income redistribution through fiscal tools among Latin Americans. Sections 4 through 7 explore factors influencing redistributive preferences, including self-interest, misperceptions, values and trust in public institutions. Section 8 concludes.

Data

We administered the Inter-American Development Bank (IDB) Preferences for Redistribution Survey (IPRS) in eight countries across the Latin American region in 2021. This section describes the main features of the survey. Appendix A provides the complete outline of the questionnaire, and Appendix B details the methodology used for constructing the variables used in the analysis.

The IPRS was designed to elicit information about preferences toward redistribution and the rationales underlying these preferences. The survey also includes baseline questions about the socio-demographic background of the respondents, their political orientation and their political knowledge. An experiment was introduced during the survey, in which respondents were randomly assigned to either two treatment groups or a control group. The analysis of this paper only uses the answers provided by individuals in the control group, unless noted.

The IPRS was administered by LAPOP Lab at Vanderbilt University. The survey was conducted using Computer Assisted Web Interviewing through the Qualtrics platform. The sampling frames were collected from the NetQuest and Offerwise online panels and, therefore, were restricted to adults with internet access. The NetQuest panel, for Argentina, Brazil, Chile, Colombia, Mexico and Peru, targeted 3000 respondents per country. For Guatemala and Panama, the Offerwise panel targeted 3500 individuals per country. Before launching the survey, a pilot ensured questionnaire length, coherence and technical performance on the online platform.

Following the exclusion of low-quality responses, the sample in this paper includes 8515 respondents in the control group.[2] Table 1 presents the socio-demographic characteristics of the

Table 1: Socio-demographic characteristics of the sample

	Wave 1 Mean	Household surveys Weighted mean
Sex (=1 Men)	0.44	0.48
Age	36.04	43.21
Married or in cohabitation	0.49	0.57
Has children	0.57	0.75
Completed less than high school	0.07	0.58
Completed high school	0.49	0.25
Completed college	0.44	0.17
Employed	0.58	0.58

Notes: Own elaboration based on IPRS and Sociométro-BID. The category 'married' includes people who live in cohabitation.

sample. We compare these statistics with nationally representative data from household surveys for the eight countries, sourced from the from the IDB Sociómetro database.[3] Our sample is younger, more educated and less likely to be men, married or have children than the general population.[4] This is not surprising. Online surveys have several advantages over telephone and face-to-face surveys, including ease of contact with respondents and the use of more visually engaging forms of questions and experimental treatments. However, the online nature and sampling methods lead to a sample that is typically more educated and possesses a higher socioeconomic status than the general population.

Basic facts: support for redistribution

Following Blanchard and Rodrik (2021), governments can redistribute resources in three broad stages: before, during and after production. In the pre-production stage, governments can allocate resources toward goods and services that contribute to the well-being of the disadvantaged, potentially enhancing their skills and prospects for improved livelihoods in the future. Examples of such allocation are investments in public pre- and post-maternal health, early childhood development programs and basic education services. Governments can also redistribute resources during production. For instance, higher minimum wages boost wages at the bottom of the distribution and have the potential to reduce wage inequality. Lastly, governments can intervene in post-production distribution through taxes and transfers. To reduce income inequality, governments can impose taxes targeting luxury consumption exclusive to higher income individuals, such as levies on luxury commodities like yachts and upscale resorts. Furthermore, a more progressive tax system can be introduced by modifying tax instruments or changing the relative weight of different taxes. In terms of expenditures, the government can design direct transfers (in kind or monetary) that target the poor and low-income individuals.

We focus on preferences over post-production taxation and redistributive policies: taxes and monetary transfers. We examine the support for three broad groups of policies: (i) support for progressive taxation, (ii) support for increases in flagship tax schemes to fund progressive expenditures and (iii) support for flagship transfer programs that target the poor and vulnerable. Figure 1

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[2] For details on the removal of these low-quality responses and supplementary quality measures, refer to Appendix C. The questionnaires for the 8515 respondents have no missing data by design because survey respondents could not move to the next question without having answered the previous one.
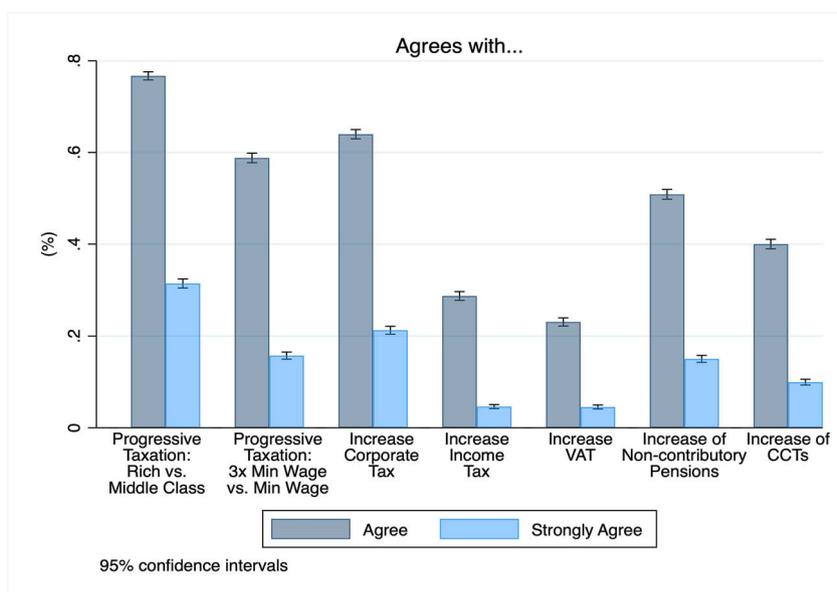
[3] Sociómetro is a dataset constructed by the Inter-American Development Bank using harmonized microdata from national household surveys from LAC. We use information from 2020 for all countries except Panama, which uses data from 2019.

[4] These differences persist when analyzing each country separately, except for Brazil and Guatemala where our sample is more likely to be men compared with the general population.

Figure 1: Preferences for redistribution.

Notes: Own elaboration based on IPRS. We provide the definition of all the variables in Appendix B. For the convenience of the reader, we also include the definition of our main outcomes here. Each variable elicits information about how strongly the participant agrees with the following statements: (1) progressive taxation: rich vs. middle class: 'rich households should pay a higher proportion of their income in taxes than middle-class households'; (2) progressive taxation: 3x min wage vs. min wage: 'a person who earns three times the minimum wage should pay a higher proportion of their income in taxes than a person who earns the minimum wage'; (3) increase corporate tax: 'it is desirable to raise corporate taxes to spend more on health, education and social benefits'; (4) increase income tax: 'it is desirable that more middle-class people pay income tax to spend more on health, education and social benefits'; (5) increase VAT: 'it is desirable to increase VAT to spend more on health, education and social benefits'; (6) increase of noncontributory pensions: 'the government should increase spending in main noncontributory pension program of the country by increasing taxes to fund it'; (7) increase of CCTs: 'the government should increase spending in main CCT program of the country by increasing taxes to fund it'. All the outcome variables take values from 1 to 4, 1 being 'strongly disagree' and 4 being 'strongly agree'. The category 'Agree' in the graph groups individuals who answered 'agree' and 'strongly agree' in the survey.

reports the percentage of respondents that agree or strongly agree with each dimension.

Progressive taxation receives broad support among survey respondents. Seventy-seven percent believe that individuals with higher incomes should pay a larger share of their earnings in taxes than those with middle-class incomes. When considering the middle-income population, there is notable but comparatively lower support for tax progressivity. Around six out of every 10 respondents agree with the statement that individuals earning three times the minimum wage should contribute a higher proportion of their income in taxes compared with those earning just the minimum wage.

Our next block of questions assesses the support for augmenting different tax instruments to fund progressive expenditures (i.e. health, education and social spending). We inquired about support for increases to three types of taxes to fund those additional expenditures: corporate tax, VAT and an expansion of the personal income tax base. The last question deserves some discussion. In many Latin American countries, the personal income tax base is extremely narrow.[5] We wanted to prevent survey respondents from solely associating the personal income tax with a tax on the wealthy and upper middle class. In many countries, raising the marginal tax of the personal income tax would be a *de facto* tax increase among these two groups. Instead, we aimed to understand if survey participants were open to the idea of expanding the tax base to fund social spending. Thus,

our question assessed whether increasing the tax base within the middle class to support more public spending for inequality reduction was desirable.

Of the three instruments considered, only increases in corporate taxation receive broad support. About two-thirds of the survey respondents agree with increasing corporate taxes to fund social expenditure, health and education. By contrast, fewer than 30% are in favor of funding these expenditures through broadening the personal income tax base or through an increase in VAT.

Our last block assesses support for increasing expenditures in two regions' prominent programs that offer monetary aid to the poor and vulnerable: CCTs and noncontributory pensions. In contrast to our other questions, we specifically asked how much respondents agreed or disagreed with an increase in each specific program funded through increases in taxes.[6] Approximately 50% of the survey participants favor augmenting allocations for non-contributory pension initiatives, even if such expansion required tax increases. By contrast, the support for CCTs was somewhat more limited, hovering around 40%.

Overall, the findings point to high support for tax progressivity, yet this support weakens when respondents are confronted with specific fiscal instruments, such as taxes and transfers. However, the regional patterns evidence substantial cross-country heterogeneity in the support for distributive policies (See Fig. 2). Two interesting extremes stand out. Argentina, the country in our sample that redistributes income more heavily, shows less

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[5]   In Latin America, the threshold for personal income tax liability is set at 1.32 times GDP per capita, much higher than in the OECD and other middle-income regions, where the thresholds are 0.12 and 0.7, respectively (Barreix et al. 2017).

[6]   We introduced the purpose of the program first and used, in each case, the name of the program within the country. For instance, we mentioned 'Bolsa Familia' and 'Benefício de Prestação Continuada' in Brazil, 'Oportunidades' and 'Pensión para Adultos Mayores' in Mexico and so forth.
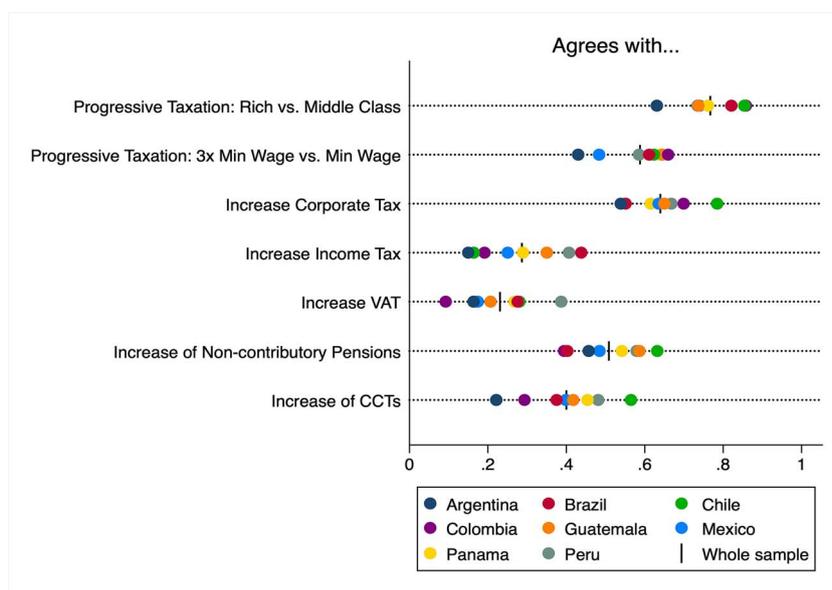
Figure 2: Cross-country differences in preferences for redistribution.
Notes: Own elaboration based on IPRS. 'Agree' groups participants that answered 'agree' and 'strongly agree'. For variable definitions, see notes in Fig. 1.

support for redistributive policies.[7] Argentinians display the lowest levels of support for tax progressivity, any form of tax increase to support social programs and public education and rises in CCTs.

At the other extreme lies neighboring Chile, where post-production income redistribution is much more limited (the lowest in the region when redistribution is normalized by GDP per capita) and the support is highest for most dimensions of redistributive policies. Chile is ranked at the high end of support for progressive taxation. It also stands out with the highest share of support for increasing expenditures on CCTs and noncontributory pensions. In contrast, support in Chile for increasing VAT or broadening the base of the personal income tax is among the lowest in the region. Chileans prefer to fund additional expenditures by taxing firms. Some 78% of Chileans agree, and 40% strongly agree with increases in corporate taxation to fund extra resources for education and other social services. These figures compare with a regional average of 64 and 21%, respectively.

The factors influencing preferences for redistribution in the region are likely numerous and varied. In the following sections, we explore whether these broad groups of policies are related to pecuniary and nonpecuniary benefits (or costs) from redistribution, political orientations, misperceptions of the extent of inequality and redistribution and attitudes toward the role of government.[8]

Self-interest and preferences for redistribution

Individual preferences for redistribution can differ based on the expected gains or losses from specific fiscal measures (Meltzer and Richard 1981). Under a narrow perspective, individuals will

only back a specific government policy if it results in a higher net income value for them due to the introduction of the current or future program. According to Cavaillé and Trump (2015), this self-interest motivation underpins the support for redistribution from the wealthy, as individuals perceive themselves as potential beneficiaries rather than contributors.

Evidence confirms self-interest motivations behind distributive preferences. Research suggests that individuals with lower incomes are more supportive of redistribution compared with those with higher incomes (Fong 2001; Corneo and Grüner 2002; Gaviria et al. 2007; Almås et al. 2020; Stantcheva 2021; Grimalda and Pipke 2021). The argument extends to individuals' expectations. Corneo and Grüner (2002) and Grimalda and Pipke (2021) show that income is a weaker predictor of support for redistributive policies than individuals' belief in their future economic outlook. Individuals exposed to upward mobility and those who perceive that the society they live in displays more mobility show a higher tolerance to inequality and the prevailing status quo (Hirschman and Rothschild 1973; Benabou and Ok 2001; Alesina and La Ferrara 2005; Gaviria et al. 2007; Day and Fiske 2017; Alesina et al. 2018; Grimalda and Pipke 2021). In the Latin American case, Gaviria et al. (2007) find a positive correlation between the expectation of future mobility and preferences for redistribution.

The IPRS data provide evidence consistent with self-interested motivations and underlying preferences for progressive taxation and redistribution across various dimensions.[9] As expected, individuals in the top decile of the income distribution in their country exhibit less support for progressive taxation between the rich and the middle class compared with those within the median income range (Fig. 3). They also are less in favor of progressive taxation within the middle class (from those earning three times

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[7] The difference between the market Gini coefficient and the Gini coefficient of disposable income in Argentina is the largest in Latin America.

[8] We present correlations between preferences toward redistribution and different underlying rationales using an ordered probit model. In the main text we present the predictions of the category 'strongly agree' and in the Appendix D we present the coefficients.

[9] To assess how preferences for redistribution vary with the respondent's position in the income distribution, we use self-reported household income from the survey to assign each respondent to their actual income deciles within a representative sample of the population. The decile cutoffs are derived from the Inter-American Development Bank Sociómetro database, which harmonizes nationally representative household surveys. We use data from 2020 for all countries except Panama, for which we use data from 2019, applying the expansion factors provided in each survey.
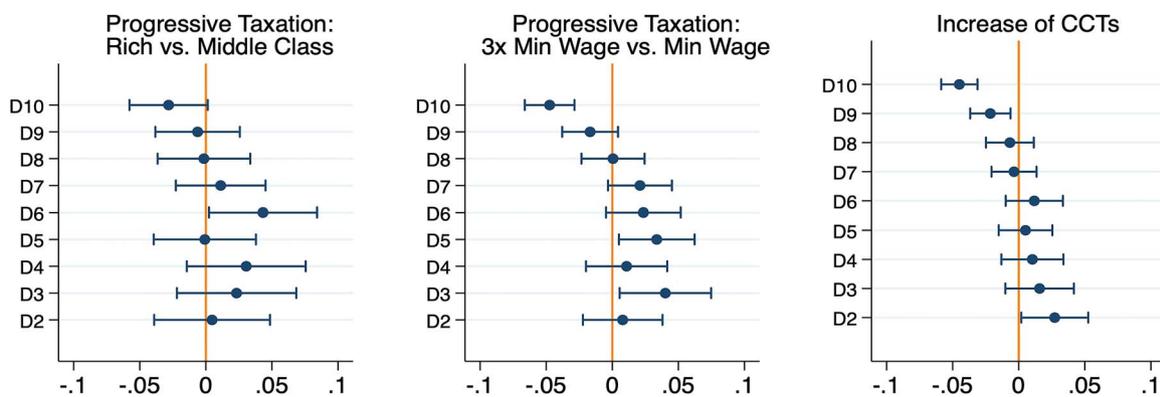
Figure 3: Support for redistribution across income deciles.
Notes: Own elaboration based on IPRS. All the dependent variables take values from 1 to 4, 1 being 'strongly disagree' and 4 being 'strongly agree'. For variable definitions, see notes in Fig. 1. The results are estimated using an ordinal probit model and we present the predictions of the category 'strongly agree'. The independent variable is the actual location of each household in the income distribution of their country divided into percentiles. See footnote 9 in the text for details on how this variable is constructed.

the minimum wage to those earning the minimum wage). This may reflect widespread misperceptions about their own position in the income distribution, as we discuss in the next section. Lastly, those at the top are less likely to support more spending on CCTs, compared with respondents in the lower half of the income distribution. Our sample is more educated than the general population and reports income placing them in higher deciles of the distribution. The underrepresentation of low-income individuals might explain the weak gradient of support for CCTs across income deciles.

Table 2 also shows how changes in income during the COVID-19 pandemic, and the experience of social mobility shape responses regarding the different dimensions of redistribution assessed. Individuals who experienced a reduction in income during the COVID-19 pandemic are more likely to support progressive taxation between the rich and the middle class and within the middle class (from those earning three times the minimum wage and those earning the minimum wage). They also favor increases in corporate and personal income taxes to fund redistributive policies. Furthermore, they are in favor of increases in taxes to fund CCT programs (Panel A of Table 2). Conversely, individuals whose income increased during the pandemic do not change their preferences, except for exhibiting less support for increasing spending in noncontributory pensions.

The IPRS survey inquired about the relative position in the income distribution of the respondents household when they were around 10 years old and their relative position in the income distribution today. By comparing these two metrics, we can construct indicators that reflect individual experiences of relative mobility. Panel B of Table 2 presents the correlation between indicators of intergenerational mobility experiences and preferences for redistribution. Perceiving downward mobility with respect to one's parents is not significantly associated with most dimensions of redistribution preferences. It is only weakly associated with more support for progressive taxation within the middle class, i.e. from those earning three times the minimum wage to those earning the minimum wage. On the other hand, respondents who experience upward mobility are less likely to support specific transfer programs that help low-income individuals, such as CCTs and noncontributory pensions. However, they are in favor of more social expenditures in general, but only if the funding is obtained via higher corporate taxes. In other words, they show less support for expenditures directly aimed at the poor while showing some support for social programs in general (many of which would

also benefit the middle class)—but only through taxation on corporations that most likely do not affect them directly.

Despite the evidence discussed above, survey respondents also show that self-interest is not the sole driver of preferences for redistribution. Notably, around 28 and 44% of the respondents in the highest income decile express support for higher taxes to fund social programs like CCTs and noncontributory pensions, even though they are unlikely to benefit from them directly. Conversely, among individuals in the bottom income decile, 45 and 52% are not in favor of rising CCTs and noncontributory pensions, respectively, even though they could be potential present or future beneficiaries. This is consistent with findings in the literature. As Stantcheva (2021) writes, 'a central puzzle is why do so many voters seem to vote against redistributive policies that would benefit them, such as more progressive income taxes, taxes on capital income or estates or more generous transfer programs'. Values, misperceptions and a complex relationship with the public sphere might help shed light on this puzzle.

Misperceptions and misinformation

Individuals may hold biased perceptions about themselves and the world around them, impacting their support for redistributive policies. These biases might manifest in a distorted view of the extent of inequality and its underlying causes. Furthermore, individuals may be misinformed about their own position in the income distribution, affecting their expectations of the impact of progressive policies and, therefore, their support for them. A third factor that associates misconceptions and redistributive preferences is a lack of understanding of public policies' effects and distributional impact.

Misperceptions about the extent of inequality

Does misinformation regarding the extent of inequality contribute to the low levels of support for redistribution in Latin America? This seems unlikely for two reasons. First, individuals in Latin America have accurate perceptions of the degree of inequality. Using data from the Latinobarómetro in 18 countries across the region, UNDP (2021) found that respondents' perceptions of the population shares in each country's income quintile were consistent with the actual shares obtained from nationally representative household survey data. With the exception of a minor overestimation of the top and bottom shares, respondents' perceptions were accurate. Second, survey experiments designed

Table 2: Income mobility and preferences for redistribution

	Progressive taxation		Taxes for redistribution			Social Spending for redistribution	
	(1) Rich vs. Middle class	(2) 3x Min wage vs. Min wage	(3) Increase corporate tax	(4) Increase income tax	(5) Increase VAT	(6) Increase of noncontributory pensions	(7) increase of CCTs
Panel A: Change in Income—COVID 19							
Income decreased	0.021**	0.020***	0.013*	0.005**	0.002	0.008	0.010**
	(0.031)	(0.002)	(0.090)	(0.040)	(0.467)	(0.203)	(0.026)
Income increased	0.003	0.009	0.008	−0.001	0.003	−0.015**	−0.003
	(0.808)	(0.217)	(0.408)	(0.864)	(0.399)	(0.047)	(0.601)
Panel B: Inter-generational mobility							
Downward social mobility	0.016	0.014*	0.014	−0.001	0.001	−0.004	−0.001
	(0.145)	(0.073)	(0.117)	(0.785)	(0.768)	(0.583)	(0.885)
Upward social mobility	0.012	−0.006	0.024***	−0.002	−0.000	−0.019***	−0.018***
	(0.221)	(0.382)	(0.002)	(0.322)	(0.932)	(0.002)	(0.000)
Observations	8,515	8,515	8,515	8,515	8,515	8,515	8,515
Controls: Age, Gender, Ethnicity	✓	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓	✓

P-values in parentheses. *$P < 0.1$, **$P < 0.05$, ***$P < 0.01$. Notes: Own elaboration based on IPRS. All the dependent variables take values from 1 to 4, 1 being 'strongly disagree' and 4 being 'strongly agree'. For variable definitions, see notes in Fig. 1. The results are estimated using an ordinal probit model and we present the predictions of the category 'strongly agree'. In Panel A, 'income decreased' takes the value of 1 if the participant reported a decrease in their income following the pandemic. 'Income increased' takes the value of 1 if the participant reported an increase in their income following the pandemic. In Panel B, 'downward social mobility' takes the value of 1 if the participant affirmed experiencing a decline in their income position compared with their childhood by >10 points. 'Upward social mobility' takes the value of 1 if the participant affirmed experiencing an improvement in their income position compared with their childhood by >10 points.

to correct misperceptions regarding individuals' placement in the income distribution have led to mixed results in the support for redistribution. In the USA, Kuziemko (2015) conducted a randomized online survey experiment aiming to remind participants of the magnitude of inequality within the country and its impact on their incomes. The intervention significantly increased the perception of inequality for the treated individuals. Despite this, the change in the support for redistributive policies remained small. This can be attributed to the prevailing lack of trust in the government's efficacy and individuals' difficulty linking apprehensions about inequality with government interventions.

Misperceptions about one's position in the income distribution

Misperceptions about one's position in the income distribution are highly pervasive. The IPRS survey contains information about the perceived position of family income by the respondents (on a sliding scale from 0 to 100). By combining three data points—the self-reported position on this scale, the self-reported monthly household income and the income deciles derived from household surveys as constructed in Section 5—we can build indicators of misperceptions regarding one's position in the income distribution. Nearly half of the survey respondents place themselves below their actual position in the income distribution by 2 deciles or more, while 20% are overoptimistic, placing themselves above their actual position by 2 deciles or more. Table 3 correlates these misperceptions with preferences for redistribution.

The association between misperceptions about one's position in the income distribution and preferences for redistribution is complex. Individuals who believe they have a lower income status than their actual placement in the income distribution express greater demand for redistribution through corporate taxes (Table 3). However, this group simultaneously demonstrates less support CCTs and social expenditures funded by increases

in the base of personal income tax and VAT, possibly driven by the perception of not being potential beneficiaries. A puzzling result is that individuals who perceive themselves as wealthier than they actually are stand out as one of the few groups that support the expansion of CCTs and noncontributory pension programs. This may be due to a lack of awareness of their financial situation, or it may be associated with status signaling, with these individuals aligning themselves with progressive or charitable causes to enhance their perceived social status.

Misinformation about individuals perceived position in the income distribution might interact with self-interest motives for redistribution. In Buenos Aires Cruces et al. (2013) found that respondents who received information about their accurate relative position in the income distribution demonstrated increased support for redistributive policies. The effect was found to be greater among individuals with more prominent misperceptions about their own position in the income distribution. A similar result was obtained in Sweden (Karadja et al. 2017), where treated individuals who learned that they were richer than they had initially thought reduced their support for redistribution. This effect was driven by individuals more aligned with a right-wing political orientation, who perceive taxes as a hindrance and believe that individual effort is the primary factor determining income.

Misperceptions about the impacts of redistributive policies

Misinformation about the extent and functioning of redistributive policies is widespread among the population. Individuals possess limited knowledge of their own country's tax structure and redistributive policies (Bartels 2005). In the eight countries of the IPRS, e.g. 32% of respondents did not know the prevailing VAT rate in their country, albeit with a large variation across the eight countries. In Brazil, merely 16% demonstrate awareness of the VAT rate, while in Colombia, this figure is 86%.

Table 3: Misperceptions of own's position in the income distribution and preferences for redistribution

	Progressive taxation		Taxes for redistribution			Social Spending for redistribution	
	(1) Rich vs. Middle class	(2) 3x Min wage vs. Min wage	(3) Increase corporate tax	(4) Increase income tax	(5) Increase VAT	(6) Increase of Noncontributory pensions	(7) Increase of CCTs
Lower perceived location than actual location	0.008 (0.387)	−0.001 (0.916)	0.020*** (0.009)	−0.006** (0.016)	−0.009*** (0.001)	−0.005 (0.379)	−0.008* (0.093)
Higher perceived location than actual location	−0.009 (0.452)	0.008 (0.296)	0.004 (0.660)	−0.000 (0.893)	0.001 (0.800)	0.020*** (0.007)	0.014** (0.013)
Observations	8,515	8,515	8,515	8,515	8,515	8,515	8,515
Controls: Age, Gender, Ethnicity	✓	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓	✓

P-values in parentheses. *$P < 0.1$, **$P < 0.05$, ***$P < 0.01$. Notes: Own elaboration based on IPRS. All the outcome variables take values from 1 to 4, 1 being 'strongly disagree' and 4 being 'strongly agree'. For variable definitions, see notes in Fig. 1. The results are estimated using an ordinal probit model. We present the predictions of the category 'strongly agree'. 'Lower perceived location than actual location' takes the value of 1 if the participant located themselves on a decile of distribution lower in more than one unit than the actual distribution. 'Higher perceived location than actual location' takes the value of 1 if the participant located themselves on a decile of distribution higher in more than one unit than the actual distribution.

Providing factual evidence on tax systems can lead to higher support for redistribution. Ardanaz (2022) find that highlighting the regressivity of the VAT in eight Latin American countries increases support for progressive changes to the tax framework. The effect is sizeable and driven by respondents who incorrectly believed the VAT was already progressive. Interestingly, these misconceptions were primarily rooted in ideological orientations rather than factual ignorance. Individuals identifying as right-wing were more likely to hold such misconceptions. Unfortunately, the IPRS did not contain information about the perceived progressivity of different tax and expenditure items. Further exploring the links between preferences for redistribution and the perceived progressivity of taxes and expenditures, as well as information campaigns on these perceptions, represents a promising avenue for future research.

Values

People have a sense of what is right and wrong, and this sense of justice provides a grounding for individual attitudes and preferences for redistribution (Corneo and Grüner 2002; Alesina and Angeletos 2005; Gaviria et al. 2007; Almås et al. 2020; Stantcheva 2021; Almås 2024). Individuals care for fairness and willingly trade income for fairer outcomes, including a more egalitarian income distribution (Alesina et al. 2018; Almås 2024). Moreover, Cavaillé and Trump (2015) suggest that the motivation behind redistribution targeting the poor and unemployed arises from a concern for others, as it involves social distance, identification with and empathy for the beneficiaries.

The perceptions of the underlying forces behind inequality are at the crux of the preferences for redistribution (Fong 2001; Corneo and Grüner 2002; Gaviria et al. 2007; Akbaş et al. 2019; Almås et al. 2020; Almås 2024). If inequality is perceived as the result of hard work, talent and effort, people are less likely to advocate for redistribution. If the income of the wealthiest in society is perceived as resulting from an unfair process, such as luck, connections or cronyism, people will more likely support redistributive policies. Knowledge about the sources of inequality filtered by an individual's sense of justice shapes the support for social programs and other forms of redistribution (Corneo and Grüner 2002; Alesina and Angeletos 2005; Almås et al. 2020; Almås 2024). Interestingly, perceptions of the drivers of inequality play

a larger role in shaping preferences for redistribution in OECD countries than in non-OECD ones (Almås 2024).

More equality of opportunities and social mobility help to mitigate the perceptions of unfairness regarding income distribution. People exhibit some degree of substitutability between equality of opportunities and redistributive demands (Alesina and La Ferrara 2005). Equality of opportunities is, however, not sufficient for perceiving as fair income inequality (Alesina and Angeletos 2005; Akbaş et al. 2019). Individuals who experience upward mobility are more prone to hold meritocratic values and believe in self-determination; thereby, they tolerate higher levels of inequality (Fong 2001).

But ideology and fairness views interact with individuals' perceptions of reality (Luttmer and Singhal 2011). Right-leaning individuals who oppose strong redistribution may be more predisposed to observe that success in life is due to effort as opposed to pure luck. Left-leaning individuals who support stronger redistribution may be more likely to observe that inequality at the top is more driven by cronyism than talent. Ideology and sense of justice interact with individuals' (mis)perceptions of the fabric of society to determine support for redistribution.

We start this section by stating a well-known preference gap over redistribution across individuals who define themselves on the left and right of the political spectrum (see Table 4).[10] Respondents on the left and right of the political spectrum differ starkly in their views regarding how progressive the tax system should be. Left-wing voters strongly support progressive taxation between the rich and the middle class, with a 15%age point gap compared with right-wing supporters. Views on the extent of progressive taxation within the middle of the distribution—among those earning between three times the minimum wage and those earning the minimum wage—are less polarized. Still, left-wing voters are more likely to support progressive taxation within the middle of the distribution—the 5% point gap between the two groups is statistically significant.[11] When prompted about increasing

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[10] An interesting feature of our data is that 43% of the interviewees declare themselves as 'not interested in politics'. We include them in the analysis as a separate category. Still, as it turns out, the preferences of this group regarding the different redistribution dimensions do not differ much from respondents in the middle of the political spectrum.

[11] Estimates in Table 4 include indicators of political ideology, perceptions of meritocracy and attitudes toward the poor simultaneously. We have also examined the association of each of these set of variables with preferences

Table 4: Ideology, values and preferences for redistribution

	Progressive taxation		Taxes for redistribution			Social Spending for Redistribution	
	(1) Rich vs. Middle class	(2) 3x Min wage vs. Min wage	(3) Increase corporate tax	(4) Increase tncome tax	(5) Increase VAT	(6) Increase of noncontributory Pensions	(7) Increase of CCTs
Left ideology	0.094***	0.024***	0.089***	0.001	−0.003	0.009	0.013**
	(0.000)	(0.002)	(0.000)	(0.829)	(0.262)	(0.225)	(0.017)
Center ideology	−0.014	−0.010	0.024**	−0.001	−0.002	−0.004	−0.006
	(0.234)	(0.207)	(0.013)	(0.837)	(0.596)	(0.593)	(0.324)
Right ideology	−0.057***	−0.023***	−0.013	−0.006**	−0.004	−0.036***	−0.026***
	(0.000)	(0.002)	(0.129)	(0.047)	(0.193)	(0.000)	(0.000)
Perceptions toward meritocracy	0.103***	0.048***	0.100***	0.005	−0.000	−0.006	−0.021***
(Inequality of opportunities is a problem)	(0.000)	(0.000)	(0.000)	(0.271)	(0.931)	(0.572)	(0.004)
Attitudes toward the poor	−0.022***	−0.013**	−0.001	−0.003	−0.003	−0.022***	−0.037***
(Beneficiaries of social programs are lazy)	(0.007)	(0.020)	(0.842)	(0.221)	(0.235)	(0.000)	(0.000)
Observations	8,515	8,515	8,515	8,515	8,515	8,515	8,515
Controls: Age, Gender, Ethnicity	✓	✓	✓	✓	✓	✓	✓
Country FE	✓	✓	✓	✓	✓	✓	✓

P -values in parentheses*$P < 0.1$, **$P < 0.05$, ***$P < 0.01$. Notes: Own elaboration based on IPRS. All the outcome variables take values from 1 to 4, 1 being 'strongly disagree' and 4 being 'strongly agree'. For variable definitions, see notes in Fig. 1. The results are estimated using an ordinal probit model. We present the predictions of the category 'strongly agree'. 'Left Ideology' takes the value of 1 if the participant identifies with a left or center-left political ideology. 'Center ideology' takes the value of 1 if the participant identifies with a centrist political ideology. 'Right ideology' takes the value of 1 if the participant identifies with a right or center-right political ideology. 'Inequality of opportunities is a problem' takes the value of 1 if the participant believes it is 'a serious problem' or 'a major problem' if 'children from rich and poor backgrounds have unequal opportunities to succeed in life'. 'Beneficiaries of social programs are lazy' takes the value of 1 if the participant strongly agrees or agrees with the sentence 'government social programs subsidize people who are not willing to work hard enough'.

taxes to pay for redistribution, differences between left and right are much less pronounced, with one important caveat: left-wing voters are much more likely to support increases in corporate taxes, exhibiting a gap with right-wing voters of 10% points. Right-wing voters are also much less likely to support social programs that target the poor. The support for increasing expenditures on noncontributory pensions and CCTs lags in about 4% points with respect to left-wing voters.

We also inquired in the survey about two dimensions of values. First, we asked about views on the extent of equality of opportunities. We asked 'if children from rich and poor families have different opportunities to succeed in life, would you consider this not a problem or a serious problem? with answers on a 1 to 4 scale. Secondly, we inquired how much respondents agreed or disagreed with the following view: 'government social programs subsidize people who are not willing to work enough.'. This question was introduced at the end of the survey to prevent prompting respondents after we asked about redistribution preferences.

Most respondents believe that inequality of opportunities between poor and rich is a problem, ranging between some 84% of the interviewees in Guatemala and 96% in Colombia (Fig. 4(a)). Those who see inequality of opportunities as a problem show more support for progressivity in the tax system and corporate taxation. They do not differ from average respondents in their views on raising other taxes to fund social programs or supporting increases in spending on noncontributory pensions, and, perhaps surprisingly, they appear to have less support for CCTs. This may be due to a lack of understanding or misperceptions about how CCTs work and their potential benefits, leading to less support compared with other redistributive policies. Alternatively, they
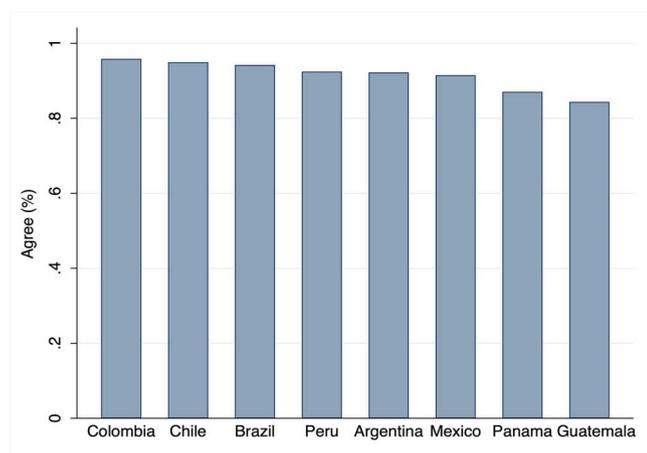
for redistribution separately (see Table D.5 in the Appendix). The results are qualitatively the same, suggesting that even though values are correlated, they also capture distinct dimensions of individuals' attributes with different effects on preferences for redistribution.

may prefer long-term, structural solutions to inequality, such as progressive taxation and corporate tax reforms, over direct cash transfers, which they may see as temporary fixes.
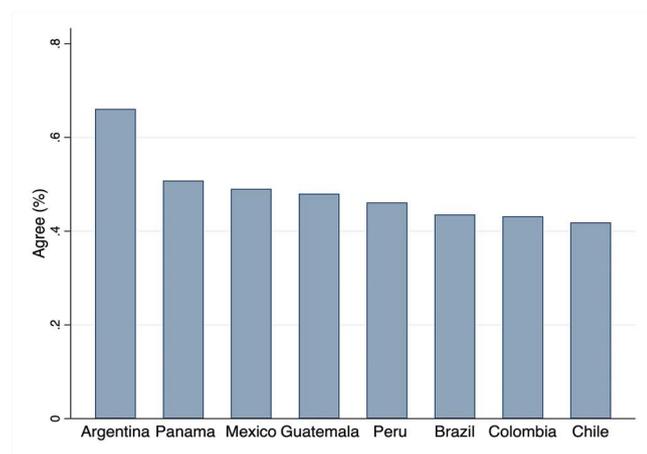
The share of respondents who believe that the beneficiaries of social programs need to work more is also high. Respondents in Argentina stand out at the top, with >66% of the interviewees holding this view. In all the other countries, at least 48% of the respondents share the opinion that 'beneficiaries of social programs are lazy' (Fig. 4(b)). Not surprisingly, those who believe that beneficiaries are lazy are less likely to support further spending in CCTs and noncontributory pensions. They are also less likely to favor progressive taxation. However, they do not differ with respect to the average person in the sample in their (lack of) support for increasing the different tax instruments considered in the analysis. Importantly, these results are obtained while controlling for ideology, highlighting their importance beyond broad categorizations of values.

Relationship with the public sphere and social contract

Citizens consent to pay taxes and fulfill their obligations as part of a social contract in which they expect to benefit from what they will get back from the State (Alesina and Rodrik 1994; Besley and Persson 2009). This view from fiscal contract theory has received empirical support in international studies (Daude et al. 2013; Keefer and Scartascini 2022). Government corruption may erode the social contract, as citizens perceive that their taxes will fund poor-quality public services or end up in the hands of public officials, powerful individuals and organized groups not in need. More broadly, low trust in institutions and the public administration can also erode the social contract as individuals renege on their responsibilities toward government and prefer to directly pay for the private provision of public goods such as

a

b

a

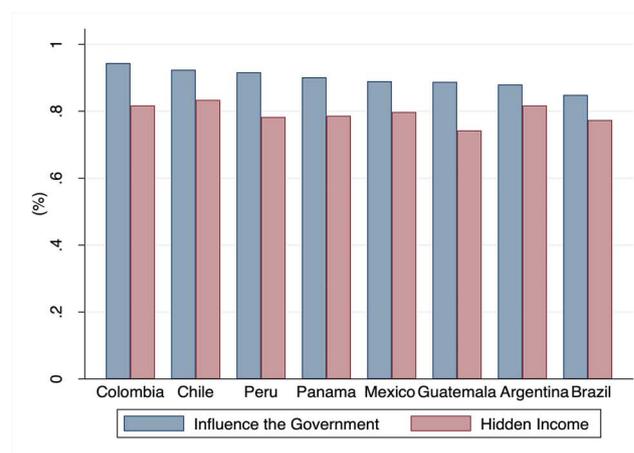b

Figure 4: Fairness views.
Notes: Own elaboration based on IPRS. In Fig. 4(a), we present the percentage of respondents that believe it is 'a serious problem' or 'a major problem' if 'children from rich and poor backgrounds have unequal opportunities to succeed in life'. In Fig. 4(b), we present the percentage of respondents that agree and strongly agree with the sentence 'government social programs subsidize people who are not willing to work hard enough'.

Figure 5: Perceptions of corruption.
Notes: Own elaboration based on IPRS. In the blue bar of Fig. 5(a), we present the percentage of respondents that agree it is 'very common' or 'common' that the rich 'influence the government to be favored through laws and tax exemptions'. In the red bar we present the percentage of income that participants perceive the rich 'hide from the authorities to pay less taxes'. In the blue bar of Fig. 5(b), we present the percentage of respondents that agree is 'very common' or 'common' that public officials 'receive bribes in exchange for favors'. In the red bar we present the percentage of respondents that agree is 'very uncommon' or 'uncommon' that public officials 'think of you and the interests of people like you when making decisions'.

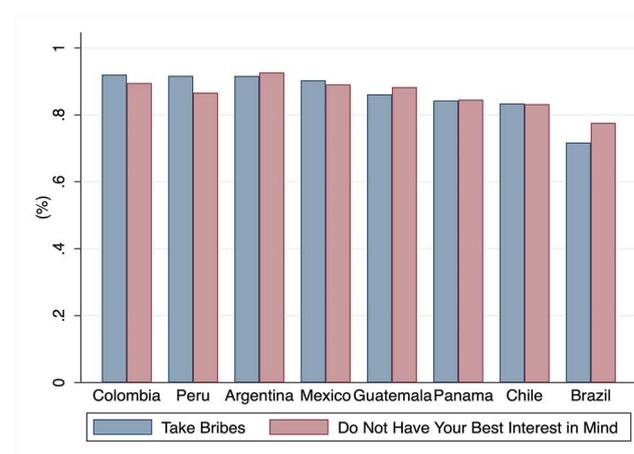security, health and education (Ferreira et al. 2013; Keefer and Scartascini 2022).

Latin Americans perceive rampant corruption among the rich elites and the government (Fig. 5). When asked about tax evasion, survey respondents believe that the rich hide most of their income to avoid taxes, and up to 90% agree that it is common or very common for the rich to 'influence the government to be favored through laws and tax exemptions.' Perceptions of public corruption are also high. When asked about how common is in their country for public officials to 'receive bribes in exchange for favors,' 86% responded 'common' or 'very common'. These perceptions of corruption have a devastating effect on trust in the government and institutions. Almost an identical share, 86%, of the participants in our survey believe it is uncommon or very uncommon for public officials to 'think of you and the interests of people like you when making decisions.'

Using the IPRS we conducted two survey experiments that provide evidence about how perceptions of corruption could undermine the social contract within the region.[12] During the

questionnaire, respondents were randomized into one of two distinct prompts (treatment groups) or to no prompt at all (control group). The 'corruption' treatment provided respondents with information about corruption in Latin America, highlighting practices such as paying bribes and cost overruns by public officials and politicians. This intervention specifically relied upon the case of Odebrecht, a construction company that illicitly paid US $788 million in bribes to secure multi-million dollar contracts from state-owned companies between 2001 and 2016. The 'tax evasion' treatment presented information about tax evasion practices by wealthy individuals and firms, using the Panama Papers case as an illustration. The Panama Papers are a collection of 11.5 million documents leaked from the Panama-based offshore law firm Mossack Fonseca, which facilitated the creation of numerous shell corporations for illegal activities, such as money laundering, tax evasion, terrorist financing and evasion of international sanctions. In both treatments, we highlighted the magnitude of the losses in corruption or tax evasion by

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[12]   Detailed results from these experiments are discussed in more detail in Busso et al. (2024) and summarized here.

comparing it with the annual expenditure on education in the region.

The control group already has a widespread baseline perception of corruption and tax evasion (Fig. 5). More than 80% of respondents think that the rich and corporations are likely to pay bribes to public officials in exchange for favors, and a similar share believes that these two groups can influence the government to obtain legislation and fiscal exemptions that benefit their groups. Respondents also believe that the rich hide most of their income (79%) to avoid taxes. Regardless of this already high perception of corruption and tax evasion, our survey experiment had a significant impact in this regard; individuals were primed successfully. People exposed to the treatments exhibited an increase in their perception of both wealthy elites and government corruption, as well as an increase in the perception of the likelihood of firms and elite groups bribing the government and hiding income to avoid taxes. Trust also diminished. Treated individuals were more likely to consider that firms and wealthy elites influenced the government to be favored through laws and tax exemptions. Furthermore, the proportion of individuals in the treatment groups who perceived that firms, wealthy elites and the government do not prioritize citizens' interests when making decisions was higher than in the control group.

Trust in government, perceptions of corruption and preferences for redistribution feed each other. High inequality and the inability of the government to effectively redistribute income hampers trust in public institutions. This, in turn, may weaken the support for redistributive policies that require direct government intervention, such as collecting taxes to fund direct transfers for the poorest households, feeding a vicious cycle of high inequality, low institutional trust and low support to redistribution (Kuziemko 2015; Grimalda and Pipke 2021; Stantcheva 2021; Keefer and Scartascini 2022). Nonetheless, perceptions of corruption, paired with low trust in the government and the private sector, may push people to agree with taxing the rich (i.e. corporate and estate taxes) not for redistributive purposes but out of a desire to punish those whose wealth might be perceived as undeserved (Hirschman and Rothschild 1973; Di-Tella et al. 2021; Hauk et al. 2022). In our survey experiments, individuals exposed to information about public and private corruption exhibited a higher perception of unequal opportunities in society and a higher sense of unfairness in the income distribution (Busso et al. 2024). Since the treatment lowered trust in the government and the elites, individuals are more likely to perceive a system rigged to benefit the elite, leading to unequal opportunities for everyone.

Regarding preferences for redistribution, treated individuals demanded higher taxation from the rich compared with the middle class. However, their baseline preferences about specific forms of taxation or redistribution—through social spending—remained the same. This aligns with the findings of studies by Grimalda and Pipke (2021) and Di-Tella et al. (2021). The latter research suggests that a decrease in trust in wealthy elites leads to greater support for taxation on the wealthy, driven more by a desire for retribution than by a desire for redistribution. We found more demand for taxation at the top but without a corresponding shift in policy preferences aimed at social programs and benefits for the most vulnerable members of society. This response could be interpreted to stem more from a sense of anger toward the elites and corporations, rather than a genuine desire for more redistribution toward low-income individuals. It may also suggest that respondents prefer redistribution to benefit their own group rather than the poor. As noted earlier, our sample is more

educated than the average population and has a higher average income. However, we found no support for increased expenditures in health and public education, which are arguably expenditure items that could benefit the middle class more directly.

Even though the survey experiment highlights the relationship between citizens and the State as a determinant of public finance, the social contract is broader. It entails a view of an implicit agreement between citizens and the State and a relationship between the citizens themselves. The social contract requires a shared sense of justice and proportionality. We are more willing to pay taxes if we believe our fellow citizens are also contributing, perhaps due to peer pressure or simply because of positive incentives (Castro and Scartascini 2015; Carrillo et al. 2021). Similarly, conditional on supporting progressive taxation, individuals would be more willing to pay taxes when they believe that the wealthy are paying their fair share—that is, they are contributing more than the average person.

Those subject to the tax evasion treatment were induced to perceive that wealthy individuals and firms are more likely to evade taxes. Similarly, akin to the corruption scenario, this led to an increased sense of unfairness about the current income distribution and a pervasive perception of unequal access to opportunities. Although these individuals advocate for more redistribution from the rich to the middle class, they do not call for elevated corporate taxation to finance social expenditures.

Despite a widespread perception of government corruption and elite capture and its effects on the social contract and the preferences for redistribution from the top, a significant fraction of the survey respondents have not given up on the role of government. Eighty percent believe that the government has the capacity and the tools to mitigate inequality of opportunities between children raised in poor and rich households. About 25% are satisfied with the quality of the public services received and consider them a good value for the taxes paid in their households.

Table 5 reveals the correlation between these two variables and preferences for redistribution. Respondents who view government as having the capacity to redistribute are more supportive of progressive taxation and redistribution in all dimensions analyzed. Likewise, individuals who are satisfied with the public services they receive are more inclined to support further government intervention to address inequality. They endorse higher personal income taxes and VAT, as well as increased spending on CCTs and noncontributory pensions. These findings are consistent with the conclusions of Daude et al. (2013), which showed that tax compliance is negatively associated with the perception of poor-quality public services.

Conclusions

This paper has reviewed the main determinants of preferences for redistribution in Latin America. In particular, it has explored the role of information about tax evasion and corruption, perceptions of State capacity, satisfaction with public services, individual values and accuracy in their perceptions of the extent of inequality and the capacity of individuals to understand the implications and impacts of redistributive policies.

Latin Americans are very unsatisfied with the distribution of income in their countries. The large majority deems current income distribution as very unfair. They have not given up on government, though. They believe it has the capacity and the tools to redistribute resources and ameliorate inequality. However, two major obstacles prevent a boost in supporting specific fiscal policies to render income redistribution less unequal.

Table 5: Perceptions of state capacity, quality of public services and preferences for redistribution

	Progressive taxation		Taxes for redistribution			Social spending for redistribution	
	(1) Rich vs. Middle class	(2) 3x Min wage vs. Min wage	(3) Increase corporate tax	(4) Increase income tax	(5) Increase VAT	(6) Increase of noncontributory ensions	(7) Increase of CCTs
Satisfied public services	−0.015* (0.098)	0.016** (0.013)	0.001 (0.850)	0.014*** (0.000)	0.019*** (0.000)	0.046*** (0.000)	0.045*** (0.000)
Believes state capacity	0.113*** (0.000)	0.059*** (0.000)	0.081*** (0.000)	0.013*** (0.000)	0.007** (0.016)	0.030*** (0.000)	0.029*** (0.000)
Observations	8,515	8,515	8,515	8,515	8,515	8,515	8,515
Controls: Age, Gender, Ethnicity	✔	✔	✔	✔	✔	✔	✔
Country FE	✔	✔	✔	✔	✔	✔	✔

P-values in parentheses.*$P < 0.1$, **$P < 0.05$, ***$P < 0.01$. Notes: Own elaboration based on IPRS. All the outcome variables take values from 1 to 4, 1 being 'strongly disagree' and 4 being 'strongly agree'. For variable definitions, see notes in Fig. 1. The results are estimated using an ordinal probit model. We present the predictions of the category 'strongly agree'. The independent variables are 'satisfied public services', which takes the value of 1 if the participant answers 'satisfied' or 'very satisfied' to the question 'Considering the taxes paid by your household, how satisfied or dissatisfied are you with the quality of public services you get?', and 'believes in the state capacity', which takes the value of 1 if the participant agrees or strongly agrees with the sentence 'the government has the capacity and the tools to reduce the inequality of opportunities between children born into poor and rich households.

There is a strong sense of fracture in the social contract among the population. Trust in the public and private sectors is low. The perception of government and elite corruption is rampant. This has created a strong sense of mistrust among citizens in general, which also hampers support for social programs that help the most vulnerable, often considered as those who 'do not want to work hard enough'. While support for more progressive taxation between the rich and the middle class is strong, reforms requiring more spending and taxes find weak support. Mistrust toward elites seems to generate resentment and the desire to punish the wealthiest, but the potential increase in revenue does not translate into more support for progressive spending programs.

Another dimension that deserves exploration is the citizens' knowledge regarding the redistributive impact of various programs. When properly informed about the distributive impact of a program, Latin Americans favor progressive reforms. Making, e.g. salient the regressivity of VAT improves the support for more progressive tax structures. This offers an interesting avenue for governments to explore.

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CONFLICT OF INTEREST

All authors have no conflict of interest regarding this manuscript.

AUTHORS' CONTRIBUTIONS

Matias Busso (Conceptualization, Methodology, Formal analysis, Investigation, Writing—Original Draft, Writing—Review & Editing, Supervision, Project administration, Funding acquisition), Ana María Ibáñez (Conceptualization, Methodology, Formal analysis, Investigation, Writing—Original Draft, Writing—Review & Editing, Supervision, Project administration, Funding acquisition), Julián Messina (Conceptualization, Methodology, Formal analysis, Investigation, Writing—Original Draft, Writing—Review & Editing, Supervision, Project administration, Funding acquisition), Juliana Quigua (Conceptualization, Methodology, Formal analysis, Investigation, Writing—Original Draft, Writing—Review & Editing, Software, Data Curation, Visualization).

DATA AVAILABILITY

Data available upon request.

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