9

Preferences for Redistribution and Tax Burdens in Latin America

Juan A. Bogliaccini and Juan Pablo Luna

Diverse studies of the political economy of tax composition across middle-income countries have found that Latin American economies tax upper-income groups much less than do other developing regions, such as East Asia and Eastern Europe (i.e. Di John 2006; Mahon, Chapter 8 in this volume). As the Introduction to this volume suggests, this finding is consistent with the relatively low redistributive capacity Latin American states display when compared to advanced capitalist societies. Sharp within-region differences remain even during periods of significant inequality reduction in the region, such as during the most recent decade (see Lustig and Pereira 2016). Against this backdrop, this chapter analyzes cross-national differences in how distributive preferences map onto class and political attitudes.

Latin America is a heterogeneous region in terms of the strength and stability of democratic institutions and party system configurations (Mainwaring and Scully 2010; Kitschelt et al. 2010). However, the resilience of democratic rule in the region during the last three decades is also historically unprecedented. As Mahon highlights (Chapter 8 in this volume), the region thus combines stable democratic rule and high inequality, in a context where significant – though comparatively marginal – reductions in inequality occurred during the last decade and a half. The region is also characterized by diversity in party system configuration, programmatic structure and stability, and state capacity (Kurtz 2013; Soifer 2015). These characteristics, in a context of high inequality, affect the degree to which distributive preferences are consistent with objective class position, and are subsequently translated (or not) into political ideology, vote choice, and, eventually, effectively enforced public policy.

Authors continue to debate the relative impact of progressive taxation and social spending versus the impact of economic growth in reducing inequality in a context of increasing human capital and the unfolding of the so-called "commodity boom" circa 2005–2015 (Huber and Stephens 2012; Lustig and Pereira 2016). As Ondetti's, Schneider's, and Hallerberg and Scartascini's chapters (4, 5, and 6, respectively) suggest, there has been a tendency to increase taxation levels and social expenditure throughout the region, although at different paces. Policy innovations also might have reshaped redistributive preferences in the region, particularly in cases where the (usually progressive) middle class has been taxed to fund the expansion of social assistance to poorer segments of the population.

Overall, however, the region is characterized by states that redistribute less than their European and North American counterparts (see Lustig and Pereira 2016; Mahon, Chapter 8 in this volume). That is, the gap between market income and income after taxes and transfers is substantially smaller in Latin America. There are several possible explanations for this result, including weak state capacity, as suggested earlier (Soifer 2015); elites' instrumental and structural power in Latin American societies (Bogliaccini and Luna 2016; Fairfield 2015 and Chapter 7 in this volume); economic informality and the role of illegal enterprises in generating revenue (Dargent et al. 2017); the lack of programmatic structure in Latin American party systems linking societal preferences to policy output (Kitschelt et al. 2010); the resources curse (Ross 1999; Maloney et al. 2002; Monaldi, Chapter 2 in this volume); differences in tax morale within the region and across regions (Alm and Torgler 2006; Bergman, Chapter 3 in this volume); the perceived linkages between crime and inequality (Morgan and Kelly 2010; Alesina and Giuliano 2011); or "false consciousness" on the part of the poor (Haggard and Kaufman 2016). These various explanations each posit different causal mechanisms to elucidate the weak redistributive role that Latin American states play.

This chapter explores the role of three hypothesized causes, by working around the scant comparative public opinion data on Latin American citizens' preferences and opinions regarding taxation. Our empirical exploration partially taps into the structure of societal preferences regarding taxation and explores the extent to which distributive preferences in the region are structured by political ideology, economic well-being, and class position. In contrast to previous work that examined attitudes toward redistribution (e.g. Blofield and Luna 2011; Haggard and Kaufman 2016), we explore support for progressive taxation.

Furthermore, in doing so, we avoid "earmark" questions that assess respondents' willingness to increase taxes for a particular type of spending (e.g. public education, pensions, health, environmental improvements, increased budget allocated to public safety, etc.). Although focusing only on nonearmarked public-opinion questions restricts our analytical exercise to a single survey item included in the AmericasBarometer, this limitation pays off in terms of obtaining a purer attitude measure regarding tax distribution between the rich and the poor.

In addition, and, by analyzing indirect reports on tax enforcement, also drawn from the AmericasBarometer data – which contribute to circumventing indicator problems related to social desirability biases – we provide a comparative assessment of the role of state capacity in extracting resources from society through VAT taxes in contemporary Latin America.[1] Specifically, the question we use asks respondents how often they receive a formal receipt while shopping at a local store.

Our analysis is admittedly exploratory and descriptive. As such, we cannot determine which of various possible causes explains why public opinion is not consistent with objective conditions, nor can we determine whether capacity or political will accounts for weak enforcement. Our exploration is further limited by the availability of data on taxation, and also by the (at best) partial causal role societal preferences and state capacity might play in shaping net levels of taxation and effective resource extraction, as well as their role in implementing progressive redistribution.

The analysis points toward three conclusions about the region. First, Latin American countries exhibit a low level of tax collection enforcement, which is consistent with its low levels of overall state capacity as compared to Europe and the United States. Second, preferences regarding taxation should be interpreted as being formed in such low-enforcement contexts. Third, with the data at hand, we fail to identify a region-wide preference structure regarding redistribution. The heterogeneity of observed preferences likely relates to countries' heterogeneous configurations and over-time trajectories in terms of inequality levels (and shapes), the stability of democratic institutions, and state capacity.

The lack of a systematic relationship between class position and redistributive preferences is thus a central finding of our work. Differences in attitudes toward redistribution linked to short-term pocketbook evaluations

[1] It is worth noting that nonenforcement of the VAT tax might end up having, by default, progressive results (see Holland (2015) for an argument on forbearance as an implicit redistributive policy).

are observed in a very diverse group of cases, and yet the causal mechanisms underpinning that correlation might differ sharply across cases. We also observe a very weak empirical relationship between political beliefs and redistributive preferences.

The chapter is organized as follows. We first explore theoretical arguments regarding distributive preferences that might be relevant to our case. Subsequently, we describe the structure of public opinion concerning redistribution and its relationship to political ideology, self-perceived economic well-being, and class position in ten Latin American countries. We then present an indicator of VAT enforcement in Latin America to briefly analyze the levels of tax enforcement across the region. The last section presents our conclusions

PREFERENCES FOR REDISTRIBUTION AND TAXATION

There is a well-established literature on individual preferences for redistribution, mostly in the traditions of political science, economics, and psychology. However, most available research focuses on the developed world. Meltzer and Richard's influential article proposed that those with below-median incomes would at least favor some degree of redistribution while those with incomes above the median would not (Meltzer and Richard 1981). In this well-known model, individuals only care about their consumption (income). Therefore, an increase in income inequality is expected to produce greater public support for redistribution. More importantly, in a context in which citizens regularly vote their preferences (i.e. democracy), inequality is expected to yield redistribution.

That assumption is pivotal in influential works that address the relationship between inequality and regime transitions such as Boix (2003) and Acemoglu and Robinson (2006). However, many important disconfirmations and qualifications to Meltzer and Richard have appeared over the last three decades (cf. Cramer and Kaufman 2011; Blofield 2011 for evidence regarding Latin America; Bartels 2008; Przeworski 2010; Gilens 2012; Ansell and Samuels 2014; Luna 2014; Campello 2015; Haggard and Kaufman 2016).

The literature that relates levels of societal inequality to preferences concerning redistribution is particularly important for the Latin American case. Some studies support Meltzer and Richard's assumption. However, others tend to disconfirm that conclusion. Bénabou (2000) finds that popular support for welfare-enhancing redistribution will fall in response to increases in inequality. Kelly and Enns (2010), while looking at the

United States, claim that the public mood (an indicator of public opinion preferences over time) tends to counterbalance the ideological outputs of government, which is consistent with the stasis model proposed by Erikson et al. (2002). Luttig's work (2013) on public opinion in the United States supports Kelly and Enns' findings (2010). Kenworthy and McCall (2008), on the basis of a cross-sectional analysis of countries included in the Luxemburg Income Study, find that greater market inequality will tend to produce greater redistributive program generosity. Their finding contradicts those of Cramer and Kaufman (2011) and Blofield and Luna (2011) for Latin America. Lupu and Pontusson (2011), in turn, claim that the median voter's distributive preferences are driven not by the level of inequality, but by its shape. In this regard, they claim that the relative distance between middle-income voters, low-income voters, and high-income voters determines, ceteris paribus, the likelihood of observing a median-voter redistributive coalition (low- and middle-income voters) or a pro-status quo coalition (middle- and high-income voters). More recently, Holland (2018) argues that in truncated welfare states (i.e., welfare states that do not reach the poor and informal sectors) poor voters do not support redistributive efforts because they do not expect social policy to benefit them.

Both the perception of economic well-being and that of individuals' own economic situation (the latter usually tied to opportunities for upward mobility) are short-term factors that have repeatedly been reported as significant determinants of redistributive preferences in Latin America (Gaviria et al. 2007; Morgan and Kelly 2013). There is also an established literature on the link between attitudes toward redistribution and the position of each individual on the socioeconomic ladder, following Meltzer and Richard (1981). Some of these studies link individual preferences for redistribution to the nature of social mobility in society (Alesina and La Ferrara 2005; Bénabou and Ok 2001). Bénabou and Ok, for instance, argue that the poor might support the status quo (instead of redistribution) when they expect themselves or their offspring to achieve upward mobility. A related strand in the literature stresses the important effect of individuals' self-perceived social position on their attitudes toward redistribution, while claiming that those self-perceptions can change in response to short-term economic factors. Dallinger (2010) finds that citizens do not react directly to actual levels of inequality, but to relative levels of prosperity. Therefore, individuals in rich societies tend to define the market as the place where they can secure their income, and thus end up assigning lesser responsibility to the state's redistributive policies. In other words, preferences concerning social policy change according to economic context. It is only when wage fairness fails, Dillinger finds, that equality is expected to be realized by the state. In the same vein, Margalit (2013) finds that preferences regarding redistribution are, in the short term, strongly affected by changes in individuals' own economic circumstances, with the loss of employment having a major effect. Nevertheless, prior ideological commitments were found to remain an important factor in any account of individual policy preferences. In the same vein, Doyle (2015) argues that in countries where poor segments of the population receive large amounts of wire-transfers from abroad ("remesas") and thus do better economically, redistributive pressure on the state is significantly lessened.

In highly unequal societies, such as those in Latin America, social distance might impact distributive preferences through different individual-level mechanisms. For instance, inequality might shape the demand side of the representation equation by inducing a series of psychological effects at the individual level. Accordingly, high inequality might contribute to consolidating cognitive biases that could be consequential for political preference formation (see Shapiro 2002). "Empathy" and "physical distance" gulfs might emerge among individuals living immersed in different and segregated socioeconomic settings (Shapiro 2002). Those cognitive gulfs distort the translation of the effects of inequality into political preferences across segregated settings – for instance, by making differences among localities or social groups invisible (and therefore, nonconsequential for political action). Different "framing" effects could also contribute to the emergence of distinct foci of attention across social settings and groups, whose preference formation is primed, once again, in a socially segmented fashion. Overall, these processes make it more difficult for parties to engage in distributive preference formation and mobilization across social groups. Last, but not least, the capacity of powerful economic interests to lobby the political system and shape media discourse also plays a role in shaping policy output in a direction that serves the interests of the better-off members of society (see Gilens 2012; Bartels 2008).

Framing effects are also relevant for understanding elite behavior, which is the focus of another series of works (see particularly Reis 2011). Such research illustrates how elite preferences in high-inequality contexts and even in the presence of increasing security concerns continue to be strongly regressive. The latter defies O'Donnell's (1996) hypothesis regarding the possibility of a new redistributive pact to alleviate poverty emerging in Latin America under threats to elites from increasing criminality. Indeed, evidence on the recent success of the Colombian security tax clearly suggests that the levy on Colombian elites was only viable due to the government's earmarking strategy (Rodríguez 2011; Flores-Macías 2015).

The abovementioned individual-level arguments are consistent with a more abstract argument, which claims that system justifying ideologies held by the poor weaken support for social change and redistribution of resources (Jost and Thompson 2000; Jost and Hunyady 2005). In line with this reasoning, Chong et al. (2001) claim that people are more likely to recognize their own self-interest, and to act upon it, when their stakes in the policy realm are clearly identifiable, or in cases in which they have been primed to think about the personal costs and benefits of the policy (increased taxation in this case). Political parties, as well as other vehicles of political socialization such as trade unions and social movement leadership, might be crucial in providing an effective framing of redistributive claims. Although democratic contestation is far from being a sufficient cause for the effective operation of those representative vehicles, it is obviously a necessary condition for this mechanism to ensue (Huber and Stephens 2012).

State capacity has also been argued to affect effective tax extraction, while low levels of extractive capacity feed back into low levels of state capacity (Centeno 2002; Kurtz 2013; Soifer 2013 and 2015). However, as Soifer shows through his proposed state capacity ranking (2015), intraregional distances and positions in terms of such capacities have remained rather stable during the twentieth century, while, as we will show, redistributive preferences lack a clear structure. In this regard, it is important to recall that for theoretical regime transition models to hold empirically (Boix 2003; Acemoglu and Robinson 2006), elites should anticipate that under a democratic regime the state should be able to tax and expropriate the rich. Such capacity is nontrivial and is one that has been largely absent in the majority of Latin American cases throughout the region's history. Indeed, in a recent argument about land reform (a critical process for effective redistribution in highly unequal societies), Albertus (2015) claims that elite expropriation by the state is virtually impossible under a democratic regime, and has been more often associated with autocratic rule and inter-elite conflict.

In turn, according to Holland (2015), state weakness does not always explain weak enforcement. Instead, Latin America's elites would choose not to enforce policies that would hurt the economic interests of subaltern social sectors, thus implementing "covert" transfers that could also pay off electorally. In these cases, nonenforcement might yield redistribution, though in an informal and probably uneven and arbitrary manner. In part due to weak state capacity, VAT taxes have been central for tax extraction in Latin America. Whereas VAT generally produces regressive results, as Mahon discusses in Chapter 8 of this volume (see also Mahon 2011), the benefits of nonenforcement are not always transferred to lower-class consumers (e.g., merchants might keep for themselves much of the revenue associated with the VAT). Although we cannot sort this out empirically, and we expect that observed patterns might change across time and space, below we compute three tax-enforcement indexes, considering the entire sample for each country and that corresponding to the poorest 40% and 20%, in order to identify patterns of variance regarding VAT enforcement across social strata.

Finally, the structure of redistributive preferences may respond to the partisan divide as a component of left–right self-placement or even the programmatic structuration of party systems. In Latin America, there is great heterogeneity regarding both proposed factors. In particular, with respect to left–right self-placement, Chile and Uruguay stand out, with values almost twice as strong as than the regional average (Alcántara Sáez and Luna 2004; Luna and Zechmeister 2005; Kitschelt et al. 2010). A similar situation occurs with respect to programmatic structuration, where these two countries have the most programmatically structured party systems in the region (Kitschelt et al. 2010; Samuels and Zucco 2014).

Against the backdrop of these works, it is not possible to derive an internally coherent set of hypotheses regarding tax preferences in a context of high inequality, sustained democratic contestation (around three decades), and relatively weak state capacity. Moreover, the region is also highly heterogeneous. However, it is possible to identify a series of theoretically relevant factors, whose empirical leverage can then be gauged empirically (even if only in a first exploratory effort). First, we should look at the relationship between tax preferences and social class. Second, we should also explore the impact of short-term economic well-being on tax preferences. Third, we should analyze to what extent relevant political variables (e.g. ideology and preferences regarding the role of the state in leveling inequality) provide structure to citizens' redistributive preferences. Ideally, we would like to map tax preferences onto partisanship, but, given the low number of Latin Americans that identify themselves with a political party, available operationalizations of partisanship would greatly reduce the number of observations available for analysis. Finally, even in cases in which public opinion favors redistribution and the political system reflects those preferences and translates them into public policy, the state's actual capacity to enforce the tax code is also critical in shaping redistributive outcomes. Although our indicator of VAT enforcement is not directly related to demand-side arguments regarding tax preferences, we use it to explore the distribution of state capacity for tax enforcement in Latin America.

OPERATIONALIZATION AND EMPIRICAL STRATEGY

To describe the social and political structure of redistributive preferences in Latin America, we analyze cross-national variations regarding the relation between redistributive preferences, class position, self-perceptions of economic well-being, and political attitudes such as political ideology and the role of the state in leveling inequality. To pursue this analysis, we rely on LAPOP 2014 data, and analyze nationally representative samples for Argentina, Brazil, Chile, Colombia, Costa Rica, Guatemala, Mexico, Peru, Uruguay, and Venezuela.

In order to map the structure of preferences in each country, we create a dummy variable from responses to the SOC1 question, coding as 1, responses that reflect progressive tax preferences for each 100 pesos that rich people earn (options 1 and 2) from those earned by their poor counterparts. The remaining responses – preferences for nonredistributive or regressive options – are coded as 0.[2]

To map class positions we built two dummy variables drawing on the income quintiles distribution; one variable grouped the bottom three quintiles together, in order to compare the 60% of the population with lower incomes against the upper 40%; the other grouped the bottom four quintiles together, to compare the 80% of the population with lower incomes against the top-earning 20%. We do this because we know there are high levels of heterogeneity with regard to social structures across the region. However, as in any comparative effort, average

[2] SOC1 question wording: "For each 100 [local currency] that a rich and a poor person earn, how much do you think each should pay in taxes? (1) A rich person should pay 50 [local currency]; a poor person 20 [local currency], (2) A rich person should pay 40 [local currency]; a poor person 30 [local currency], (3) A rich person should pay 30 [local currency]; a poor person 30 [local currency]". We built a dummy variable in which options 1 and 2 are pooled and represent the progressive taxation preference, while option 3 represents the regressive taxation preference.

preferences are evaluated around central tendency measures as the average or the median citizen. We propose the abovementioned cuts, in spite of the blunt income data indicators in LAPOP surveys, in order to explore cutoffs at different points in the social ladder.

In order to test how self-perceived relative prosperity maps onto the structure of distributive preferences, we include in the analysis two variables that tap into economic well-being: pocketbook evaluations of the current economic situation in each country, and a retrospective pocketbook evaluation that compares the respondent's current situation to that of a year earlier.[3]

With respect to political preferences, we rely on the left–right identification scale (10-point format) and on preferences concerning the state role in leveling inequality.[4]

Using redistributive preferences as the dependent variable and the above-defined socioeconomic, political, and economic performance variables, we proceed to identify the presence (absence) of significant differences in redistributive preferences among groups defined by each independent variable. To be sure, the analysis is merely descriptive and based on ANOVA F tests (which assess the differences in group means and their determinants – within- and between-group variances). Although we address the directional effects of each variable only marginally in the analysis that follows, the distribution observed in each case is presented in the online appendix.[5]

On the basis of the results obtained for each series of independent variables (class, economic well-being, and political factors), we then compute a cluster analysis (details in Table A5 of the online appendix). From this, we derive a preliminary typology of the structure of distributive preferences for the region, based on specific preferences regarding progressive taxation.

Finally, in order to capture the state's ability to impose taxes, we focus on sales taxes, which rank at an intermediate level in terms of ease of collection (Soifer 2013). We use the question COER1, which asks respondents to assess (on a four-point scale) the likelihood they receive a receipt

[3] IDIO questions wording: "How would you describe your overall economic situation? Would you say that it is very good, good, neither good nor bad, bad or very bad?" (IDIO1); "Do you think that your economic situation is better than, the same as, or worse than it was 12 months ago?" (IDIO2).

[4] Variables L1 and ROS4 in LAPOP questionnaire.

[5] Online appendix available at http://flores-macias.government.cornell.edu/Data.html.

for a purchase in a neighborhood store.[6] This question was asked in eight countries for which we also have average VAT imposition and Gini coefficients.

RESULTS

a Mapping the Structure of Redistributive Preferences Regarding Taxation

With respect to individual predispositions to tax the rich at a higher rate than the poor, the regional support for progressive taxation averages at 76% of the population. The regional range is bounded by Chile (where 88% of respondents favor a progressive tax) at the upper limit and Venezuela (where almost 60% favor such a tax scheme) at the lower limit. Apart from Venezuela, three countries display figures below the Latin American average: Brazil (65%), Uruguay (68%), and, close to the regional average, Mexico (75%). The position of other cases can be observed in Table A1 of the online appendix. Although these differences are interesting, two qualifications apply.

First, the regional average is relatively high. Second, and more interesting from an analytic point of view, citizens' overall redistributive preferences seem to be triggered by contemporary or even relatively contingent events in each case. For instance, Chile has recently witnessed a wave of social mobilizations that have triggered the politicization of inequality in that country (Luna 2016). In turn, Uruguay, being one of the least unequal countries in the region, and having recently implemented a tax reform that increased the taxes on middle- and upper-middle class households, is among the cases where support for greater taxation of the wealthy is lowest. At higher levels of inequality, a similar situation might be found in Brazil. In turn, Venezuela's Bolivarian "revolution" might be associated with a "regressive" reaction. While the cases of Brazil, Uruguay, and Venezuela seem to be consistent with Kelly and Enns's argument about the public mood (an indicator of public opinion preferences over time) tending to counterbalance the ideological outputs of government (Kelly and Enns 2010), the case of Argentina seems inconsistent with this

[6] COER question wording: "When you shop in a local store/shop in your neighborhood, even if you do not ask for it, would you receive a receipt/cash register receipt/invoice?" Response options are: 1) Always; 2) Frequently; 3) Rarely; 4) Never. The question was part of a set on state capacity proposed and discussed in Luna and Soifer (2015).

postulate. Although these speculations might be of interest, we instead focus our analysis on the relationship between attitudes toward taxation and the independent variables identified earlier.

We shall first look at the impact of class on taxation preferences. Table 9.1 displays the results obtained when using proxies for respondents' income levels. The first analysis asks whether significant differences in attitudes toward taxation exist between those in the top income quintile (richer 20%) and those in lower quintiles. The second analysis asks whether significant differences in attitudes toward taxation exist between the richest 40% of income earners and those in lower 60% of the population, Tables 9.1–9.3 also classify cases regarding the strength of pro-tax positions. We classify cases with a country average above the regional mean as displaying high redistributive preferences. The remaining cases are categorized as countries exhibiting a low redistributive preference.

When comparing the opinion of those in the top 20% versus those in the bottom 80%, three cases exhibit significant differences (Colombia, Guatemala, and Mexico). Those differences are consistently signed: poorer respondents prefer to have the rich pay relatively more taxes. This result holds in Guatemala and Mexico also when comparing the richest 40% of respondents to the rest of the sample. Furthermore, significant differences are observed for Argentina under this operationalization. Meanwhile, the case of Colombia does not show a significant difference between the attitudes of the top-earning 40% and the bottom 60%. The remaining cases show no significant differences under either of the two social class operationalizations.

Regarding individuals' evaluations of their recent economic situation, Table 9.1 shows significant between-group differences in four countries (Mexico, Guatemala, Costa Rica, and Argentina). In line with Dallinger's argument (2010), individuals who perceive their situation to have improved the most are less inclined to support an increase in the tax burden of the rich than are those who do not perceive their own economic situation to have improved.

However, also consistent with Margalit's argument (2013), the observed result differs if one considers short-term changes in individuals' perceived economic well-being. In Chile and Brazil, those who perceive themselves to have fared badly during the previous twelve months support greater taxes on the rich. By contrast, in Guatemala and Venezuela, those who perceive their economic situation to have improved favor increasing taxes. No significant differences were observed for the other countries.

TABLE 9.1 *Classification of countries by class, well-being, and ideology dimensions*

	High redistributive preferences	**Low redistributive preferences**
Class		
Class (20/80)		
Significant differences	*Colombia* *Guatemala*	*Mexico*
No significant differences	Argentina Chile Costa Rica Peru	Brazil Uruguay Venezuela
Class (40/60)		
Significant differences	*Argentina* *Guatemala*	*Mexico*
No significant differences	Chile Colombia Costa Rica Peru	Brazil Uruguay Venezuela
Well-being		
Self-perception of own overall economic situation		
Significant differences	*Argentina* *Costa Rica* *Guatemala*	*Mexico*
Not significant differences	Chile Colombia Peru	Brazil Uruguay Venezuela
Self-perception of change in own overall economic situation (last 12 months)		
Significant differences	**Chile** *Guatemala*	**Brazil** *Venezuela*
Not significant differences	Argentina Colombia Costa Rica Peru	Mexico Uruguay
Ideology		
Left–right auto-identification		
Significant differences	*Guatemala*	*Uruguay*
Not significant differences	Argentina Chile Colombia Costa Rica Peru	Brazil Mexico Venezuela

(continued)

TABLE 9.1 *(continued)*

	High redistributive preferences	Low redistributive preferences
Role of the state regarding inequality		
Significant differences		*Brazil* *Mexico* *Uruguay*
Not significant differences	Argentina Chile Colombia Costa Rica Guatemala Peru	Venezuela

NB: Country names in *italics* = leftist/state-oriented sectors support more redistribution; in bold = rightist / market-oriented sectors support more redistribution. Significance is assessed in Analysis of Variance (see online appendix). *For class*, variables represent income quintiles, comparing preferences of the richest 20% to those of poorer 80%; and richest 40% to poorer 60%. *For well-being*, variables represent (a) the self-perception of own economic well-being; and (b) the self-perception of change in own economic well-being from last year. High redistributive preferences are considered those above the regional mean (0.76). *For ideology*, variables represent of (a) the self-positioning on the right–left continuum; and (b) the opinion on the redistributive role of the state. High redistributive preferences are considered those above the regional mean (0.76).

Table 9.1 also shows that, with respect to political attitudes, only two countries (Guatemala and Uruguay) exhibit a significant relationship between leftist ideology and redistributive emphases. The table also shows that only in three countries (Brazil, Mexico, and Uruguay) do we find a significant relationship between support for a greater state role in redistributing resources to reduce inequality and preferences for redistribution via taxation. In sum, preferences for redistribution through taxes are, at a regional level, only marginally related to political ideology or to more general statements about the state's role in reducing social and economic inequality.

To summarize the observed trends regarding preferences in contemporary Latin America concerning taxing the wealthy, we ran a cluster analysis entering the observed results into the analysis. Figure 9.1 shows the resulting dendrogram, which clearly identifies four groups (Table A5 in the online appendix provides descriptive statistics). The first and most internally homogenous group comprises Argentina, Costa Rica, and Chile. In these three cases, preferences for taxing the rich are higher than the regional average. Yet, at the same time, and with the partial exception of Argentina, political ideology and class are not significantly related to

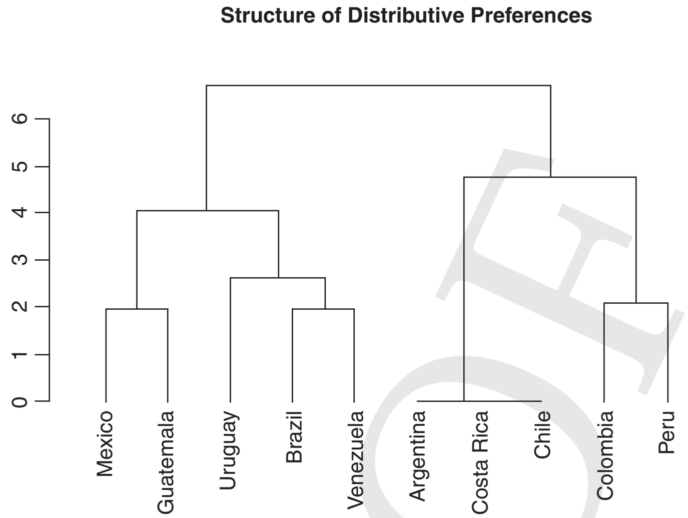

FIGURE 9.1 Dendogram for distributive preferences in Latin America

distributive preferences in these countries. Economic well-being is the only variable significantly related to distributive preferences in all three cases, which could be classified as displaying a highly redistributive (but unstructured) demand. The cases of Peru and Colombia also approximate that group, but displaying even lower levels of structure regarding taxation preferences ("highly redistributive (but completely unstructured) demand").

The cases of Mexico and Guatemala also display a significant degree of homogeneity in their observed patterns, and form a group we shall classify as cases with "structured preferences." Although the two countries differ in how much their citizens endorse taxing the rich (low preference in Mexico; high in Guatemala), they are the only countries in our sample that exhibit a significant relationship between distributive preference and all three variables analyzed here (i.e., class, economic well-being, and political ideology). A fourth group comprises Venezuela, Brazil, and, less strongly, Uruguay. These cases display low levels of preferred taxation, with some structuring. Whereas Brazil and Uruguay display a relationship between attitudes toward taxation and attitudes toward the role of the state in reducing inequality, attitudes toward taxation are significantly related to economic well-being in Venezuela and Brazil. Table 9.2 summarizes the configuration observed in each group.

TABLE 9.2 *Typology for redistributive preferences*

Type		Class	Economic well-being	Political ideology	Overall distributive preference
Structured demand	Mexico	X	X	X	Low
	Guatemala	X	X	X	High
Low redistributive demand with a modicum of (political) structure	Uruguay			X	Low
	Brazil		X	X	Low
	Venezuela		X		Low
Highly redistributive (but completely unstructured) demand	Colombia	X			High
	Peru				High
Highly redistributive (but relatively unstructured) demand	Costa Rica		X		High
	Chile		X		High
	Argentina	X	X		High

Source: Authors based on LAPOP 2014 data

b Assessing the State Ability to Impose Taxes

We try to make sense of these results in the next and final section. First, however, we explore citizens' reports on VAT enforcement in each country. In order to capture the state's ability to impose taxes, we focus on sales taxes, which rank at an intermediate level in terms of ease of collection (Soifer 2013). We use the question COER1, which asks respondents in eight countries to assess (on a four-point scale) the likelihood they receive a receipt for a purchase in a neighborhood store.

Figure 9.2 displays the relationship between VAT rates and effective tax collection. As observed in the graph, most of the countries for which information is available report a very low level of enforcement irrespective of tax burden. Yet, Argentina, Uruguay, and especially Chile – which are also the cases that display higher levels of VAT – are the ones for which effective collection is greater (lower values in COER1 denotes a greater capacity for tax collection). These are the cases that are generally considered to have greater levels of state capacity in the region (see Kurtz 2013; Soifer 2015).

Finally, as reported in Table 9.3, there is no significant relationship in any of the countries studied between income class and effective tax collection. Individuals in the lower-income quintiles are not more or less likely to receive a store receipt than is the population as a whole. Indeed, the cross-national pairwise correlations for the three measures (entire sample, 60% poorer, 80% poorer) reach 0.99.

TABLE 9.3 *Forbearance and predisposition to increase tax burden for redistribution*

	Effective tax collection	60% poorer	80% poorer
Mexico	3.36	3.43	3.39
Chile	1.60	1.61	1.61
Peru	3.55	3.6	3.58
Uruguay	2.54	2.62	2.55
Venezuela	3.63	3.73	3.69
Argentina	2.85	2.94	2.89

Source: LAPOP 2014

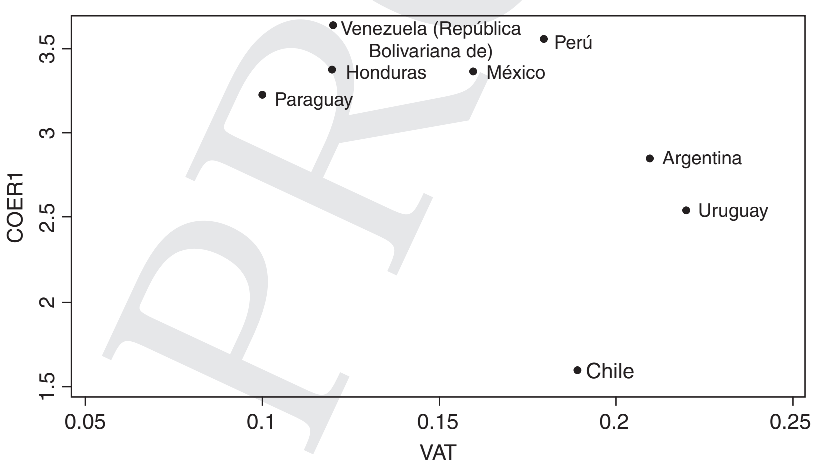

FIGURE 9.2 VAT level and effective tax collection
Source: ECLAC 2015 – CEPALSTAT and LAPOP 2014. NB: lower values in COER1 denotes a greater capacity for tax collection

CONCLUSION

Overall, we can learn at least three things about the region from this analysis. First, Latin American countries exhibit a low level of tax collection enforcement, which is consistent with its low levels of overall state capacity as compared to Europe and the United States. Our evidence on VAT enforcement seems to suggest that state capacity plays a crucial mediating role in tax extraction in Latin America, and, thus, in the success of eventual redistributive efforts. In fact, three of the four cases where a greater redistributive effect was observed in Latin America circa 2010 (Lustig and Pereira 2016) are countries where respondents (indirectly) reported greater levels of VAT enforcement.

Second, preferences regarding taxation are formed in this lax enforcement context, which is important to point out given that such preferences are correlated with individuals' perceived utility of evading the tax – itself a function of both the benefit to the individual of not paying taxes and the individual's beliefs about the state's willingness to tolerate evasion.

Third, the analysis shows that the available data do not support the existence of a region-wide preference structure regarding redistribution, which is most likely linked to high regional heterogeneity with respect to inequality levels, stability of democratic institutions, and state capacity. Below we discuss in greater detail our findings with respect to whether the structure of distributive preferences is consistent with political ideology, self-perceived well-being, and class position.

The region does not exhibit a systematic relationship between class position and redistributive preferences. In the few cases where these preferences significantly differ by class, the poorest exhibit stronger redistributive preferences. This is inconsistent with arguments that attribute weak redistributive effort to the poor's "false consciousness" (Jost and Thompson 2000; Jost and Hunyady 2005), or with arguments about the presence of cognitive biases that influence political preference formation (Shapiro 2002). However, it is important to recall that in only four out of ten cases does class position significantly predict preferences toward taxation: Mexico, Guatemala, Colombia, and Argentina.

Differences in redistributive attitudes fueled by short-term pocketbook evaluations are present in a very diverse group of cases. Yet, the mechanisms behind this correlation might be sharply different across cases. Whereas in cases such as Brazil and Chile, those who have fared poorly in recent times support the imposition of greater taxes on the rich, in Argentina, Guatemala, México, and Costa Rica the opposite trend holds for those who consider themselves to be doing well. Thus, our findings at best only partially confirm Dallinger's (2010) and Margalit's (2013) findings.

The relationship between political beliefs and redistributive preferences is also quite weak. Only in Guatemala and Uruguay does left–right political self-identification predict preferences regarding taxation. While these results are consistent with levels of political-party ideological alignment in Uruguay and, therefore, with the political programmatic representation of distributive preferences, the data for Guatemala is less clearly explicable from this perspective. In turn, attitudes regarding the state's role in reducing inequality, which should be logically related to preferences for greater taxation of the rich, only significantly relate to the latter preferences in Mexico, Brazil, and Uruguay. These results are consistent with previous findings regarding the lack of programmatic structure in Latin American party systems. In sum, it is reasonable to posit that the lack of stable political parties with clear ideological positions, which characterizes many countries in the region, reduces the scope for finding a match between ideological self-identification and redistributive preferences.

If we compare the above-reported findings regarding citizens' attitudes toward taxation and the observed redistributive effects reported by Lustig and Pereira (2016), we find no systematic pattern. For instance, Argentina and Uruguay, which differ markedly in their levels of preferred taxation and on the observed structure of those preferences, are the two cases that exhibit the greatest level of redistribution in the region. They are followed by Brazil and Chile, but also by Mexico, whose observed configuration is also quite dissimilar to the former countries. At the other extreme, Colombia and Peru display low levels of redistribution, which seems consistent with their attitudinal configuration. Yet, Guatemala, a case with high demand for redistribution and high levels of political and social structuring of those preferences, also exhibits very meager (and comparable) results.

To sum up, this chapter essentially contributes a nonfinding, at least from a regional perspective. We do not necessarily regret this fact, which provides indirect evidence of the importance of alternative causal factors in shaping taxation and redistribution, as well as incomplete but suggestive evidence about the lack of theoretical grounds for pooling Latin American cases in statistical region-wide analyses of preferences for redistribution. Besides state capacity, the nature of elite bargaining and top-down policy design seem to be of primary importance. Of course, the validity of our nonfinding might be challenged by two sets of factors: the scarcity of data on pure preferences regarding taxation; and the nature of the empirical analysis we have pursued here. Regarding the latter, we could have, for instance, specified a multilevel regression analysis of the observed preferences for redistribution. Although we did pursue preliminary analysis in this direction, the results convinced us to pursue instead a more simple descriptive analysis. We nonetheless justify our methodological choices on the following grounds: first, we think it would have been misleading to concentrate on average regional effects before assessing the theoretical grounds for pooling cases. The preceding analysis seems to support our choices, as there seems not to be a reasonably coherent structure of preferences across the region. Second, we are interested in offering a preliminary typology of Latin American cases combining overall demand for progressive taxation with its potential determinants in terms of class position, self-perceived well-being, and political ideology, together with overall levels of country-level inequality.

References

Acemoglu, Daron, and James A. Robinson. 2006. "Persistence of Power, Elites and Institutions." *NBER Working Paper* 12108. National Bureau of Economic Research.

Albertus, Michael. 2015. Autocracy and Redistribution. New York: Cambridge University Press.

Alcántara Sáez, Manuel, and Juan Pablo Luna. 2004. "Ideología y competencia partidaria en dos post-transiciones: Chile y Uruguay en perspectiva comparada," *Revista de ciencia política (Santiago)* 24(1): 128–168.

Alesina, Alberto, and Paola Giuliano. 2011. "Preferences for Redistribution," in Jess Benhabib, Alberto Bisin, and Matthew O. Jackson (eds.), *Handbook of Social Economics* (Vol. 1). Amsterdam: North-Holland, 93–131.

Alesina, Alberto, and Eliana La Ferrara. 2005. "Preferences for Redistribution in the Land of Opportunities," *Journal of Public Economics* 89(5): 897–931.

Alm, James, and Benno Torgler. 2006. "Culture Differences and Tax Morale in the United States and in Europe," *Journal of Economic Psychology* 27(2): 224–246.

Ansell, Ben, and David Samuels. 2014 *Inequality and Democratization.* New York: Cambridge University Press.

Bartels, Larry. 2008. "The Irrational Electorate," Wilson Quarterly 32(4): 44–50.

Bénabou, Roland. 2000. "Unequal Societies: Income Distribution and the Social Contract," American Economic Review 90(1): 96–129.

Bénabou, Roland and Efe Ok. 2001. "Social Mobility and the Demand for Redistribution: The POUM Hypothesis," *Quarterly Journal of Economics* 116(2): 447–487.

Blofield, Merike (ed.) 2011. *The Great Gap: Inequality and the Politics of Redistribution in Latin America*. University Park: Penn State University Press.

Blofield, Merike, and Juan Pablo Luna. 2011. "Public Opinion on Income Inequalities in Latin America," in Marike Blofield (ed). *The Great Gap: Inequality and the Politics of Redistribution in Latin America*, University Park: Penn State University Press, 147–81.

Bogliaccini, Juan A., and Juan Pablo Luna. 2016. "Deflecting my Burden, Hindering Redistribution: How Elites Influence Tax Legislation in Latin America." WIDER Working Paper No. 92/ 2016.

Boix, Carles. 2003. *Democracy and Redistribution*. New York: Cambridge University Press.

Campello, Daniela. 2015. *The Politics of Market Discipline in Latin America: Globalization and Democracy*. New York: Cambridge University Press.

Chong, Dennis, Jack Citrin, and Patricia Conley. 2001. "When Self-Interest Matters," *Political Psychology* 22(3): 541–570.

Cramer, Brian and Robert Kaufman. 2011. "Views of Economic Inequality in Latin America," *Comparative Political Studies* 44(9): 1206–1237.

Centeno, Miguel Angel. 2002. *Blood and Debt: War and the Nation-State in Latin America*. University Park: Penn State University Press.

Dallinger, Ursula. 2010. "Public Support for Redistribution: What Explains Cross-National Differences?" *Journal of European Social Policy* 20(4): 333–349.

Dargent, Eduardo, Andreas Feldmann, and Juan Pablo Luna. 2017. "Greater State Capacity, Lesser Stateness: Lessons from the Peruvian Commodity Boom," Politics & Society 45(1): 3–34.

Di John, Jonathan. 2006. *The Political Economy of Taxation and Tax Reform in Developing Countries*. Helsinki: Anthem Press and World Institute of Development Economic Research.

Doyle, David. 2015. "Remittances and Social Spending," *American Political Science Review* 109(4): 785–802.

ECLAC. 2015. CEPALSTAT, http://estadisticas.cepal.org/cepalstat/Portada.html?idioma=english

Erikson, Robert, Michael MacKuen, and James Stimson. 2002. *The Macro Polity*. New York: Cambridge University Press.

Fairfield, Tasha. 2015. *Private Wealth and Public Revenue*. New York: Cambridge University Press.

Flores-Macías, Gustavo. 2015. "The Political Economy of Colombia's 2012 and 2014 Fiscal Reforms," in James Mahon, Marcelo Bergman, and Cynthia Arnson (eds.), *Progressive Tax Reform and Equality in Latin America*, Washington, DC: Woodrow Wilson Center, 101–126.

Gaviria, Alejandro, Carol Graham, and Luis Braido. 2007. "Social Mobility and Preferences for Redistribution in Latin America," *Economía*, 8(1): 55–96.

Gilens, Martin. 2012. *Affluence and Influence: Economic Inequality and Political Power in America*. Princeton: Princeton University Press.

Haggard, Stephan and Robert Kaufman. 2016. *Dictators and Democrats: Masses, Elites, and Regime Change*. Princeton: Princeton University Press.

Holland, Alisha. 2018. "Diminished Expectations: Redistributive Preferences in Truncated Welfare States," *World Politics* 70(4): 555–594.

Holland, Stephen. 2015. *Public Health Ethics*. New Jersey: John Wiley & Sons.

Huber, Evelyne and John Stephens. 2012. *Democracy and the Left: Social Policy and Inequality in Latin America*. Chicago: University of Chicago Press.

Jost, John, and Orsolya Hunyady. 2005. "Antecedents and Consequences of System Justifying Ideologies," *Current Directions in Psychological Science* 14(5): 260–265.

Jost, John and Erik P. Thompson. 2000. "Group-based Dominance and Opposition to Equality as Independent Predictors of Self-esteem, Ethnocentrism, and Social Policy Attitudes among African Americans and European Americans," *Journal of Experimental Social Psychology* 36(3): 209–232.

Kelly, Nathan and Peter Enns. 2010. "Inequality and the Dynamics of Public Opinion: The Self-Reinforcing Link Between Economic Inequality and Mass Preferences," *American Journal of Political Science* 54(4): 855–870.

Kenworthy, Lane and Leslie McCall. 2008. "Inequality, Public Opinion, and Redistribution," *Socio-Economic Review* 6(1): 35–68.

Kitschelt, Herbert, Kirk Hawkins, Juan Pablo Luna, Guillermo Rosas, and Elizabeth Zechmeister. 2010. *Latin American Party Systems*. New York: Cambridge University Press.

Kurtz, Marcus. 2013. *Latin American State-Building in Comparative Perspective: Social Foundations of Institutional Order*. New York: Cambridge University Press.

Luna, Juan Pablo. 2016. "Chile's Crisis of Representation," *Journal of Democracy* 27(3): 129–138.

2014. *Segmented Representation: Political Party Strategies in Unequal Democracies*. Oxford: Oxford University Press.

Luna, Juan P. and Elizabeth Zechmeister. 2005. "Political Representation in Latin America: A Study of Elite-Mass Congruence in Nine Countries," *Comparative Political Studies* 38(4): 388–416.

Lupu, Noam and Jonas Pontusson. 2011. "The Structure of Inequality and the Politics of Redistribution," *American Political Science Review* 105(2): 316–336.

Lustig, Nora, and Claudiney Pereira. 2016. "The Impact of the Tax System and Social Spending on Income Redistribution and Poverty Reduction in Latin America." Hacienda Pública Española / Review of Public Economics 219 (4): 121–136.

Luttig, Matthew. 2013. "The Structure of Inequality and Americans' Attitudes Toward Redistribution," *Public Opinion Quarterly* 77(3): 811–821.

Mahon, James. 2011. "Tax Reform and Income Distribution in Latin America." In Marike Blofield (ed.). *The Great Gap: Inequality and the Politics of Redistribution in Latin America*, University Park: Penn State University Press, 313–347.

Mainwaring, Scott, and Timothy Scully. *Democratic Governance in Latin America*. Palo Alto: Stanford University Press, 2010.

Maloney, William, Osmel Manzano, and Andrew Warner. 2002. "Missed Opportunities: Innovation and Resource-Based Growth in Latin America [with Comments]," *Economia* 3(1): 111–167.

Margalit, Yotam. 2013. "Explaining Social Policy Preferences: Evidence from the Great Recession," *American Political Science Review* 107(1): 80–103.

Morgan, Jana and Nathan J. Kelly. 2013. "Market Inequality and Redistribution in Latin America and the Caribbean," *Journal of Politics*, 75(3): 672–685.

2010. "Explaining Public Attitudes Toward Fighting Inequality in Latin America," *Poverty & Public Policy* 2(3): 79–111.

Meltzer, Allan and Scott Richard. 1981. "A Rational Theory of the Size of Government," *The Journal of Political Economy* 89(5): 914–927.

O'Donnell, Guillermo. 1996. "Illusions about Consolidation," *Journal of Democracy* 7(2): 34–51.

Przeworski, Adam. 2010. *Democracy and the Limits of Self-Government*. New York: Cambridge University Press.

Reis, Elisa. 2011. "Elite Perceptions of Poverty and Inequality in Brazil," in Merike Blofield (ed.), *The Great Gap: Poverty and Inequality in Latin America*, Penn State University Press, 89–108.

Rodríguez, Franco. 2011. "Internal Wars, Taxation, and State-Building." Masters Thesis, Northwestern University.

Ross, Michael. 1999. "The Political Economy of the Resource Curse," *World Politics* 51(2): 297–322.

Samuels, David, and Cesar Zucco. 2014. "The Power of Partisanship in Brazil: Evidence from Survey Experiments," *American Journal of Political Science* 58(1): 212–225.

Shapiro, Ian. 2002. "Why the Poor Don't Soak the Rich," Daedalus 13 (1): 118–128.

Soifer, Hillel David. 2013. "State Power and the Economic Origins of Democracy," *Studies in Comparative International Development* 48(1): 1–22.

2015. *State Building in Latin America*. New York: Cambridge University Press.

The Americas Barometer by the Latin American Public Opinion Project [LAPOP]. 2014. www.LapopSurveys.org