On Redistribution and Backlash
Are Conditional Cash-Transfers More Acceptable Than Other Public Transfers?

Cesar Zucco

IADB, Spring 2011
Outline
(Very Preliminary)

- Redistribution
  - Who should support redistribution?
  - Redistribution in practice
- Support for CCTs
- Support for CCTs vs. other transfers
- Why are CCTs “acceptable”? 
Findings
(Even More Preliminary)

- CCTs are supported across the board
- CCTs are more acceptable than other transfers
- There is *more* support for the *more* redistributive transfers
- “Why” is still unclear:
  - Positive spillovers (no evidence, yet)
  - Regional solidarity (possibly)
  - Support for Redistribution (probably not)
  - Conditionalities (limited effect)
  - Fair targeting and cost effectiveness (not tested)
Who is For Redistribution?
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- The median voter in most democracies (Meltzer-Richards)
- In practice, median voter is often net payer (Milanovic)
- Higher inequality $\rightarrow$ more demand redistribution
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Who is For Redistribution?

- The median voter in most democracies (Meltzer-Richards)
- In practice, median voter is often net payer (Milanovic)
- Higher inequality → more redistribution
  - Resistance from the rich (Boix, Acemoglu & Robinson)
  - Redistribution ≠ Insurance (Wallerstein and Moene)
  - Competition from abroad (Meseguer & Prezeworski)
  - Institutional differences (many)
  - Practical issues (Prezeworski)
  - ...
Redistribution in the Real World
Taxing, Spending, and Redistribution

- Redistribution is modeled as “tax & transfer”
  - Very little info on comparative tax incidence
  - Literature mostly focuses on spending
Taxing, Spending, and Redistribution

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  - Public goods, private goods
  - In kind, cash-transfers
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- Different transfers have different distributive implications
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In practice, *many* spending decisions
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Different transfers have different distributive implications

This paper: holds taxation fixed, examines support for different transfers
Progressive and Regressive Transfers
Estimates for Lat America (and Brazil) from Lindert et al (2006)

- Public goods: some more progressive than others
Progressive and Regressive Transfers

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- Public goods: some more progressive than others
- Social protection transfers: regressive as whole
  - Social Insurance: very regressive
  - Social Assistance: very progressive
- CCTs are the most progressive
Why would non-beneficiaries support transfers?

Starting Point:

Those that stand to benefit from transfer should support transfers
Why would non-beneficiaries support transfers?

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Non-Beneficiaries Might Support *Certain* Transfers

- Because of indirect benefits
- Because transfers benefit their group/region
- Out of support for redistribution
- Because beneficiaries “deserve” it
- Because they induce “positive” behavior
- Because the signal government competence
How “Acceptable” are CCTs?
What are CCTs?

- Pay poor families to invest in their children
- Health and education related conditionalities
- Reaches every municipality
- BFP is the Largest CCT in the world
- Brazil was early adopter
- No evidence of political targeting or monitoring
CCTs and Voting Behavior

A Plug For Another Paper of Mine…

Effect of Increase in the Scope of CCTs

- OLS
- GPS Matching
- Survey (Implied)
CCTs as a Relevant Electoral Topic

Perceptions of the Candidates’ Positions on the Issue
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Perceptions of the Candidates’ Positions on the Issue
Approval of CCTs
Data from IBOPE 2006 and BEPS 2010

2006

2010
How does Support for CCTs Compare With Support For Other Transfers?
## Background on CCTs and Other (Selected) Transfers

<table>
<thead>
<tr>
<th>Transfer</th>
<th>Beneficiaries</th>
<th>Average Benefit</th>
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<tbody>
<tr>
<td><strong>Assist.</strong></td>
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<tr>
<td>CCT</td>
<td>13m</td>
<td>R$ 100</td>
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Spending on (Selected) Transfers

Redistribution
CCTs
CCTs vs. Other Transfers
Why are CCTs Acceptable?
Conclusions

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Spending on (Selected) Transfers

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Poverty and inequality are not THE major problem!

Data from a BEPS 2010

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- Other surveys show greater concern with poverty than inequality (Bermeo)
Support for Expanding Transfers
Data from BEPS—All respondents

Don’t Knows
Support for Expanding Transfers
Data from BEPS—All respondents

All Respondents
Support for Expanding Transfers

Data from BEPS—All respondents

Non-Beneficiaries

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Support for Expanding Transfers

Data from BEPS—All respondents

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<td>Share of Respondents</td>
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<td></td>
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<td>0.6</td>
<td>0.4</td>
<td>0.7</td>
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Increase | Maintain | Shrink/End

Less than 2 MW
Support for Expanding Transfers

Data from BEPS—All respondents

More than 2MW
Support for Expanding Transfers

Data from BEPS—All respondents

More than 5MW
Support for Expanding Transfers

Data from BEPS—All respondents

Poorest

Non-Poor

Wealthiest
Why are CCTs Acceptable?
Some Possible Mechanisms:

- Indirect benefits to non-beneficiaries
- Benefit their group/region
- Out of support for redistribution
- Beneficiaries “deserve” it
- Induce “positive” behavior
- Signal of government competence
The Regional Dynamic
Non-Beneficiary Support and Levels of Coverage

At Municipal Level

At Individual Level
The Regional Dynamic
Support Among Non-Beneficiaries and Levels of Coverage

What do we know?
• Higher in NE and N
• Higher in municipalities with higher coverage
The Regional Dynamic
Support Among Non-Beneficiaries and Levels of Coverage

What do we know?
- Higher in NE and N
- Higher in municipalities with higher coverage

What does it mean?
- Indirect benefits
- Regional solidarity
Are Spillovers Driving Support for CCTs?

An indirect assessment with imperfect data: CCT, Growth, and Voting Behavior
“Ineq. Reducing Policies” vs. Specific Transfers

“The state should implement policies to reduce income inequality between rich and poor”

- Strongly Disagree
- Strongly Agree

Share of Respondents

- Less than 2 MW
- More than 5 MW
“Ineq. Reducing Policies” vs. Specific Transfers

How much tax should the rich pay relative to the poor?
“Ineq. Reducing Policies” vs. Specific Transfers
Are Conditionalities What Matter?
Evidence from a (too) simple experiment

Control Condition
O Bolsa Família é um programa social que paga benefícios mensais a famílias de baixa renda. O Sr./Sra. aprova ou desaprova o programa Bolsa Família?
Are Conditionalities What Matter?
Evidence from a (too) simple experiment

Treatment Condition

O Bolsa Família é um programa social que paga benefícios mensais a famílias de baixa renda, e exige, entre outras coisas, que estas famílias mantenham as crianças na escola e as levem ao médico regularmente. O Sr./Sra. aprova ou desaprova o programa Bolsa Família?
Are Conditionalities What Matter?

Evidence from a (too) simple experiment
Tentative Conclusions and The Future Research

Basic Facts

- CCTs have high support across income brackets
- CCTs have higher support than other transfers
- There is *more* support for the *more* redistributive transfers

Mechanisms

- No evidence of “public good” effect
- Some evidence of regional mechanism
- Very limited evidence for conditionality mechanism
- Need to examine the role of targeting:
  - Type of targeting
  - Quality of targeting