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## Who is Willing to Pay the Price of Equity? A Report on Public Opinion in Colombia

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**Executive Summary.** This *Insights* report explores public opinion in Colombia with respect to who reports willingness to pay additional taxes in order to increase government assistance to the poor. I suggest that three factors underlie preferences over using one's own resources to increase the welfare of the neediest. These are an individual's economic calculus; trust in the system and others; and, ideological beliefs about the role of the state. Using data from the 2010 round of the AmericasBarometer survey in Colombia, I find that, all else equal, those whose personal economic situations appear comparatively better off, those aged 50 and under, those who are better educated, and those whose economic ideologies align with state intervention express higher support for this kind of proposal.

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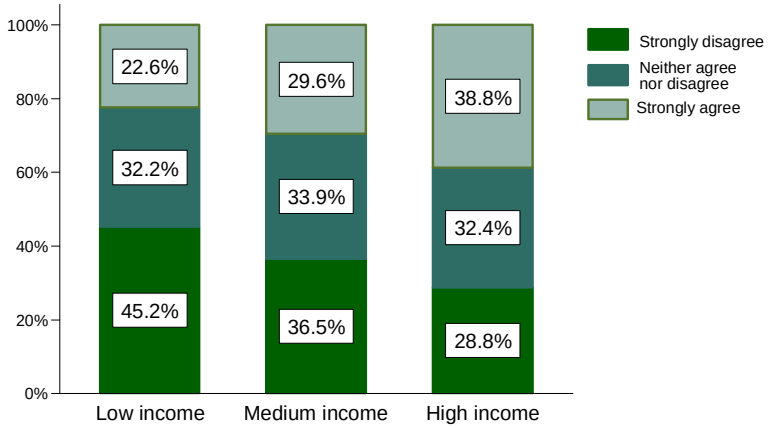
Economic equality may provide some level of immunity against negative social, political, and economic outcomes. We know, for example, that economic *in*equality has been linked to crime (Fajnzylber, Lederman et al. 2002); political violence (Muller 1985); lower interpersonal trust (Córdova 2008); and economic stagnation (Alesina and Perotti 1996). But, who is willing to pay a personal price, in the form of increased taxes, in order to achieve a more equitable distribution of resources? By taking advantage of a question asked in the Colombia 2010 AmericasBarometer[1] survey, this *Insights* report[2] provides some answers to this question.

The 2010 round of the AmericasBarometer survey in Colombia included a question that allows insight with respect to attitudes towards policies that presumably would improve equity; the question asks about the degree to which respondents would be willing or unwilling to pay more taxes if the funds were directed toward the poor. Specifically, in this round, 1,506 people in Colombia were asked to respond to the following question (TD5) on a scale from 1 to 7, where "1" means "strongly disagree" and "7" means "strongly agree."

**TD5:** Would you be willing to pay more taxes if they were used to give more to those in need?[3]

The answers in general are evenly distributed across the scale. But if the respondents are disaggregated into three income categories, a different pattern emerges. Figure 1 presents the distribution of Colombian respondents to this question, grouping income and stances on the question into three categories each.[4] While the proportion of those who neither agree nor disagree is roughly one-third across the three income categories, the proportion of people agreeing to the proposal is larger among those with high incomes (38.8%) than among low income respondents (22.6%). Conversely, the proportion of respondents in disagreement is smallest among those with high incomes.

Figure 1. Support for aditional taxation to give more to those in need




Source: AmericasBarometer by LAPOP

In the remainder of the report, I continue to assess the extent to which economic and other factors, including trust and ideology, explain the variation in willingness to pay additional taxes in order to give more to those in need. I will show that economic factors matter, but further discovering what their impact is irrespective to the income level; and, I will show that some other, non-economic factors matter as well.

[1] Funding for the 2010 round mainly came from the United States Agency for International Development (USAID). Important sources of support were also the Inter-American Development Bank (IADB), the United Nations Development Program (UNDP), and Vanderbilt University.
[2] Prior issues in the *Insight*s series can be found at: http://www.vanderbilt.edu/lapop/insights.php
The data on which they are based can be found at http://www.vanderbilt.edu/lapop
[3] Non-respondents to this particular question are 3% of the sample that participated in the survey.
[4] Respondents indicating 1 and 2 were recoded in this figure as "Strongly disagree"; 3, 4, and 5 as "Neither agree nor disagree"; and, 6 and 7 as "Strongly agree."

## Why would someone support paying more taxes to benefit the poor?

Conventional wisdom supports the idea that increasing taxation meets strong opposition in many circles. Nonetheless, I argue that there is a clear set of characteristics associated with supporting additional taxation. These comprise three different, but complimentary, sets of motivations.

First, one's economic situation should matter; simply put, I expect that those who can better afford to pay extra will be more inclined to do so than those experiencing worse economic situations.[5] Figure 1 shows some evidence in support of this expectation; later, I examine the extent to which other economic factors matter.

Second, trust should matter. Scholarship on tax compliance underscores the importance of trust in the political authorities (Cummings et al. 2006). We might likewise expect that those who trust the system are more willing to invest in its services for redistributive purposes. In addition, the literature on social solidarity states that support for social assistance is nothing but the institutional expression of caring about others (Rodger 2003). Consequently, I test for an effect of interpersonal trust, based on the notion that those with higher levels of social capital and connections, measured in this way, might be more willing to pay the price of redistribution.

Third, ideological stances with respect to the role of the state should matter. Those who believe the state should play a substantial role in the economy – in particular with respect to redistributive policies – should be more inclined to provide funds, via taxation, for such purposes.

## A basic profile of those who support taxation to help others

As a first step in determining the predictors of support for a personal tax increase for the benefit of those in need, I examine a set of standard socioeconomic and demographic variables. First, I examine the effect of income, coded into three categories (low, medium and high).[6] My expectation is that those with greater income will be more inclined to respond affirmatively to a question probing willingness to pay higher taxes for redistributive purposes; this expectation was tested and supported by the evidence in Figure 1, and here I test it with additional variables in the model. Second, I examine the effects of size of town (coded so that higher values mean a larger town/city)[7], education (coded in four categories: none, primary, secondary, and higher), female, and age (coded in three categories: from 18 to 35 years, from 36 to 50 years and beyond 51 years). Figure 2[8] shows the results for a linear model that analyzes the relationship between these socioeconomic and demographic factors and support for paying more taxes to improve equity.

[5] A substantial body of scholarship shows that economic crisis affects support for state intervention (Quinn and Shapiro 1991), taxation (Beck, Rainey et al. 1990), and welfare policies (Sihvo and Uusitalo 1995). This line of literature is based on surveys evaluating the coevolution of economic performance and public opinion in the long term, or in particular settings, and I do not examine the implications of this line of literature here.

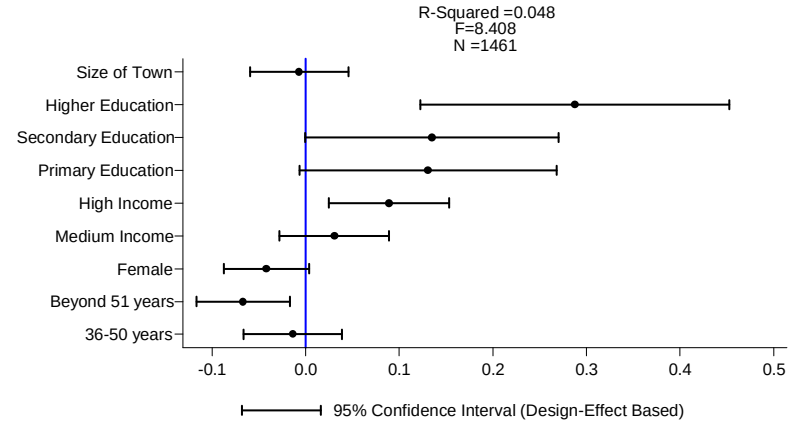
[6] Low income is defined from $0 to $360,000 (in Colombian pesos), medium from $361,000 to $1,500,000, and high beyond $1,500,001. This is based on the respondents' self-reported placement. I use income instead of wealth because I am interested in the extent to which an individual might have additional funds at their disposal. The drawback of income is that ten percent of the respondents to the 2010 survey did not answer the question. In order to avoid case-wise deletion, I recode those missing values to the sample mean on the income variable; the results, though, are the same if I allow them to drop out of the analysis.

[7] I also examined size of town as a series of dummy variables, but found no statistically significant relationship.

[8] For this model I am using the TD5 variable coded on a 7 point scale. All analyses are conducted with STATA v11.

The figure shows the effects of each predictor in the model using standardized coefficients, so that the relative effect of each can be more easily discerned. The estimated effect of each independent variable on the dependent variable is represented by a dot. If the dot and its corresponding bars, which indicate the 95% confidence interval, fall to the left of the 0 line then the relationships is considered both negative and statistically significant; if the dot and bars fall to the right of the 0 line, the relationship is considered positive and statistically significant.

Figure 2. Socio-demographic characteristics predicting the likelihood of supporting more taxation




Source: AmericasBarometer by LAPOP

The results in Figure 2 show that compared to those with low income, people who report a high level of income are more supportive of paying additional taxes to assist those in need. Respondents with a medium level of income are marginally more supportive but not statistically different from those with a low income level. This supports the idea that there is an economic calculus involved. For people having higher income, the marginal effect on their pocketbooks of this additional contribution to the tax pool is smaller. The analysis also shows that, when compared to the population with no education, only those with a higher education are significantly more likely to agree to pay more taxes. Applying a more generous significance threshold (a 90% confidence interval), we see that those with at least some education are more inclined than those with none to express willingness to pay an additional tax. The results further show that, compared with respondents between 18 and 35 years of age, only people over 51 years old are significantly less willing to agree. Though the effect is smaller and does not quite reach the 95% significance threshold, we see that women are somewhat less supportive of paying an additional personal tax in order to support economic redistribution. There is no significant effect for size of town.

In short, Colombians who are wealthier and more educated (and to a limited extent, those who are male and under 51 years of age) express greater willingness to pay more taxes for the sake of improving economic equity. Interestingly, of the variables in the model, education has the strongest substantive effect. In the next section, I provide another lens through which to perceive the effect of one's personal economic situation on willingness to pay additional taxes for the sake of equity. In addition, I examine the roles of trust in the system and in other people and of preferences over the role of the state.

## A model of support for taxation as a tool to reduce inequality

An analysis of the extent to which people are willing to pay taxes to support redistribution should take into account self-interest considerations. In the prior analysis I only included people's resource constraints.[9] But

[9] Other tests (not reported) explored the effect of participating in state assistance programs (*Familias en Acción*, SISBEN), perception of an economic crisis, and assessment of the national economy, but I found no significant

their attitudes with respect to the state and other individuals and their ideological leanings with respect to issues of state involvement in redistributive policies are also relevant. In this section, then, I assess an expanded model of the factors that predict willingness to pay additional taxes on behalf of people in need.

Because it is the institution responsible for allocating the funds, I expect that trust in the political system will be positively correlated with the dependent variable. I measure system support with an index based on perception that the state guarantees a fair trial, respect for political institutions, perception that the system protects basic rights, level of pride related to living in the country and the extent of belief that one should support the system.[10] In addition, we might expect that individuals' attitudes towards other individuals affect their willingness to invest in redistribution. I measure attitudes towards others with a standard measure of interpersonal trust.[11] Both the system support and interpersonal trust variables are coded so that higher values indicate more confidence.[12] In addition, I include an index that taps individuals' preferences over the role of the state in the economy and ensuring the well-being of the people.[13]

Finally, to expand the analysis of one's individual economic calculus beyond the income measure, I considered a series of evaluations of one's personal economic situation. Specifically, I examine the effects of one's evaluation of one's current situation (IDIO1), one's past situation (IDIO2), and one's future situation (IDIO3).[14] In a series of diagnostic checks, I found that only the latter exerts a significant effect when included on its own or with the others (the other two do not have significant effects even when included without other economic assessments); for the sake of brevity, only that variable is included in the model shown here. I also include a measure of the perceived sufficiency of the resources available to satisfy one's personal needs (Q10D). This allows us to test the predictive power not only of one's objective economic conditions but also of the extent to which a person can assume additional spending.[15]

Figure 3 shows the results for the model, which were again calculated using Ordinary Least Squares regression analysis. Again, the effects are represented by standardized coefficients (dots) accompanied by 95% confidence intervals (bars). The results support three general conclusions.

First, trust in both the system and individuals matters only to a limited extent, and these effects are not highly reliable. That is, only if we use a 90% confidence interval do we find that

relationships. This suggests the calculus made includes considerations related to individual *costs*, not individual or broader *benefits*.

[10] I also tested the effect of trust in the national government (B14), but it was not a significant predictor. The system support measure, by relying on multiple indicators, provides a potentially more robust and general measure of confidence in the political system and therefore I show that result here.

[11] **IT1**. Now, speaking of the people from here, would you say that people in this community are generally very trustworthy, somewhat trustworthy, not very trustworthy, or untrustworthy?

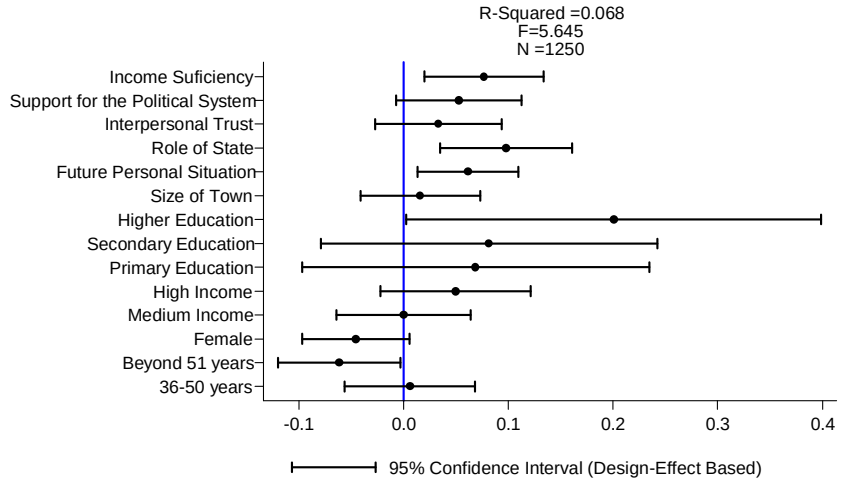
[12] Countries with high levels of trust are those where equality prevails (Rothstein and Uslaner 2006), and trust and equality affect each other. I am focused here on the relationship between trust and opinion about taxation to reduce inequality.

[13] This is an additive index of the answers to the questions ROS1, ROS2, ROS3, ROS4. Initially it ranges from 4 to 28, but it is standardized into a scale from 0 to 100 like every other variable. For the detailed wording, the full questionnaire can be found at: http://www.vanderbilt.edu/lapop/core-surveys.php

[14] **IDIO1.** 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?. **IDIO2**. Do you think that your economic situation is better than, the same as, or worse than it was 12 months ago? **IDIO3**. Do you think that in 12 months your economic situation will be better than, the same as, or worse than it is now?

[15] **Q10D**. The salary that you receive and total household income: (1) Is good enough for you and you can save from it. (2) Is just enough for you, so that you do not have major problems. (3) Is not enough for you and you are stretched. (4) Is not enough for you and you are having a hard time.

Figure 3. Model of support for taxation as a tool to reduce inequality




Source: AmericasBarometer by LAPOP

those who are more supportive of the political system express greater willingness to pay taxes for the purpose of redistribution. Likewise, at the 95% confidence level, trust in others is not associated with willingness to take part in the proposed taxation increase for the sake of equity, but the coefficient is positive as expected.[16]

Second, preferences over the role of the state clearly matter. Those who believe the state should play a greater role in the economy and in guaranteeing social welfare express a higher willingness to put their money where their ideology lies, so to speak. This suggests that economic ideology, measured in this way, affects this opinion.[17]

Third, income as measured in the previous model (Figure 2) is no longer significant, but income sufficiency and future personal economic assessments are. This suggests that individuals' income is not important in and of itself. What best explains the disposition of the economically better off to support additional taxation is not the absolute income level. Rather, what matters more is the perception that these resources suffice to fulfill one's personal needs, and believing that one's economic situation will improve in the near future. Income matters mostly, it would appear, to the extent that it influences one's ability to meet current needs and to the extent it informs one's personal economic outlook.

Once again, and even after controlling for these additional variables, education remains significant, such that those with the highest levels of education are more disposed toward supporting additional taxation to help those in need. While the coefficient is reduced, the difference between none and higher education remains the strongest predictor in the model.

## Final Remarks

Although social spending has been growing in Colombia since the 1990s, per capita spending is comparatively low (Cepal 2004). Its expansion depends on collecting new resources for which taxation is one possible source. I have shown here that support for redistributive policies, such as willingness to pay additional taxes to benefit the neediest (TD5), is largely conditional on the presence of two out of three motives considered in this report.[18]

[16] It is worth noting that if I drop the variable for trust in the government, I find IT1 to be significant with 90% confidence.
[17] I also tested the effect of an indicator of left-right ideology and found no significant relationship. That result makes sense, given other scholarship suggesting that the left-right dimension does not capture preferences over the role of the state among the citizens, nor the political elites, of Colombia (Zechmeister and Corral N.d.).

[18] This is at least partially in agreement with the findings of Van Oorschot (2002) who finds that Dutch citizens accept paying for welfare because of concurring motives: self-interest, moral obligation and mutual empathy.

First, there is an individual economic calculus based on resource availability. Those perceiving a surplus in their personal economy (Q10D) and having positive prospective evaluations (IDIO3) are more prone to support additional taxation for the presumed sake of increased equity.

Second, beliefs with respect to the extent to which the state should intervene both to reduce inequality and to influence the economy as a whole are highly related to support for additional taxation to help the poor. In addition to those two motives, I examined a third: trust. I found that trust in others and in the political system exert insubstantial to modest effects on the variable examined here.

One might wonder whether these variables, as well as the role of state index increase in significance if we examine only that portion of the sample that reports having sufficient resources; in analyses conducted but not reported here, I found that interpersonal trust and system support, when included together in the full model reported in Figure 3, remain insignificant when the sample is divided (using Q10D) among those who reported having sufficient resources and those who had a surplus to save (N=596) and all others (N=865). Across both sets of individuals, the role of the state variable remains positive and statistically significant, and the coefficient shows little change.

One interesting aspect of the results is that the relevant economic considerations for the issue of redistribution are those pertaining to one's ability to bear the costs, rather than one's consideration of the individual or larger benefits. Variables related to evaluations of the national economy and participation in social welfare programs have no significant effect on willingness to pay additional taxes for redistributive purposes (see footnote 10). Kelly and Enns (2010), discussing their findings and prior scholarship on inequality in the United States, suggest that media frames affect the extent to which the public favors government programs to decrease inequality. It could be that in Colombia a strong media emphasis on economic individualism runs against citizens' greater willingness to support, at their own expense, anti-poverty and related efforts. Future research might examine this more closely.

The literature has found that economic crises can also stimulate support for redistributive measures (see footnote 5). The evidence I have offered in this report suggests this relationship is not due to the crisis but to its effects. The occurrence of an economic crisis by itself is no guarantee that it will be followed by a supportive attitude toward taxes to help the poor population. It depends on whether the crisis negatively affects one's personal economic situation in absolute and prospective terms, and possibly to a lesser extent, whether it weakens system and interpersonal trust.

In the long run, persistent poverty and inequality may mean lower levels of political engagement, and therefore, the perpetuation of inequality (Solt 2008). Furthermore, while modernization theorists argue that economic development reduces intolerance and promotes democratic attitudes, some scholars suggest that inequality prevents such effects from taking root broadly within a society. That is, if the income gap continues to exist, such growth-related effects on political and social attitudes would only be experienced by the high income class (Andersen and Fetner 2008). In short, understanding among whom and why preferences for anti-poverty and inequality-reducing measures are supported is important for understanding democratic culture and politics.

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# Appendix 1. OLS models explaining the likelihood of supporting additional taxation to give more to those in need

| | (1) | (2) |
|---|---|---|
| 36 to 50 years | -0.0137 | 0.005 |
| | (0.026) | (0.031) |
| Above 51 years | -0.66 | -0.061 |
| | (0.024)** | (0.029)** |
| Female | -0.042 | -0.045 |
| | (0.022)* | (0.025) * |
| Medium income | 0.030 | -0.0001 |
| | (0.29) | (0.035) |
| High income | 0.088 | 0.049 |
| | (0.031)*** | (0.035) |
| Primary education | 0.130 | 0.068 |
| | (0.068)* | (0.082) |
| Secondary education | 0.134 | 0.081 |
| | (0.674)* | (0.079) |
| Higher education | 0.287 | 0.200 |
| | (0.082)*** | (0.098) ** |
| Size of town | -0.007 | 0.016 |
| | (0.026) | (0.028) |
| Future personal economic condition | | 0.061 |
| | | (0.023)** |
| Income sufficiency | | 0.076 |
| | | (0.028)*** |
| Role of state | | 0.098 |
| | | (0.031)*** |
| Interpersonal trust | | 0.033 |
| | | (0.030) |
| Support for the political system | | 0.052 |
| | | (0.029)* |
| Constant | -0.002 | 0.027 |
| | (0.032) | (0.034) |
| Number of observations | 1461 | 1250 |
| $R^2$ | 0.0480 | 0.0681 |

*p≤0.1; ** p≤0.05; ***p≤0.01.
Omitted categories are base categories.
I use standardized coefficients; standard errors are in parentheses.