

# **Distrust in State Capacity and Low Support for Redistribution: Is Transparency the Solution?**

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September 15, 2022

## Context: Support for redistributive policies

- Many countries are increasingly seeking to switch from universal support to social safety nets (SSNs)
- Well-established SSNs reduce poverty and increase well-being
- To implement this type of public policy, governments need the support of those who could be negatively affected

# Illustration of the political debate



Protests Erupt in Indonesia Over Fuel ...

(a) Indonesia



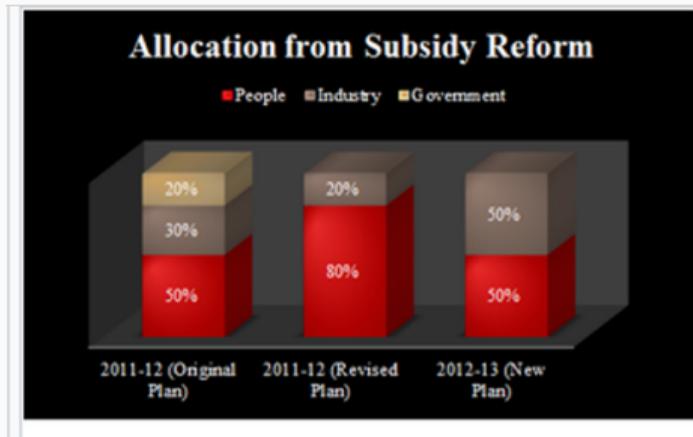
Anti-government protesters march during a demonstration to denounce fuel prices hikes in Sanaa, Yemen, August 4, 2014 (Courtesy Reuters/Khaled Abdullah).

(b) Yemen

# The agency issue

- Two reasons for low support:
  - Preferences: Low inequality aversion
  - (Dis)trust: Government not able to monitor and conduct alternative anti- poverty measures such as targeted cash transfers
- Why?
  - Principal can choose to support a redistributive policy led by the agent but can only observe partially the agent's action.
  - Implies the need for signaling mechanism that reassures citizens of implementation capacity to transfer funds to those who need them
- Does increasing transparency in program delivery improve citizens' support for redistributive government programs?

## Illustration of the political debate



Iran wanted to save up to \$100 billion on subsidies within three to four years

### Information campaigns

were key in Namibia,  
the Philippines,  
Armenia and  
Uganda  
(IMF 2013).

## Evidence on the role of preferences

- Drivers of preferences for redistribution (Alesina and Angeletos, 2005; Alesina, Di Tella and MacCulloch, 2004; Alesina and La Ferrara, 2002, Alesina and Giuliano, 2011)
- Increasing social welfare vs. reducing differences in payoffs (Charness and Rabin, 2002)
- Role of trust in altruistic behavior (List and Price, 2009)
- Social preferences (Parra, 2011, Stenman et al. 2009)

## Less evidence on how to overcome distrust

- Recent evidence on the impact of traceability measures on the effectiveness of redistribution programs (Muralidharan, Niehaus and Sukhtankar, 2016)
- Mixed evidence on the effect of information about the government's action and trust (Acemoglu et al., 2020; Khan et al., 2021)
- Transparency can reduce beliefs about the State benevolence (Jeong et al., 2021)

## This paper

- Studies how trust in implementation capacity to deliver pro-poor programs can be key for eliciting more altruistic decisions
- Measures the impact of a transparency-enhancing device on the support for redistribution
- Theoretical model: how distrust lowers adherence to several redistributive policies
- Empirical strategy:
  - Representative surveys of middle class adults implemented in 4 MENA countries (Arab Republic of Egypt, Jordan, Lebanon and, Tunisia) on citizens' support for redistribution
  - Lab-in-the-field experiment in Jordan simulating the micro level the decision faced by middle-class citizens, providing evidence on the propensity for redistribution and the impact of transparency and trust on redistributive preferences

# The model

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## The government

- The government is represented by a single politician randomly drawn from a pool of candidates
- Candidates are either benevolent ( $b = 0$ ) and non benevolent ( $b = 1$ ), with a proportion  $\theta$  of benevolent politicians
- The politician is in charge of implementing a redistributive policy consisting in a transfer  $t$  from the non poor to the poor citizens

- Society is composed of two representative citizens who are averse to inequity (Fehr & Schmidt, 1999):
  - Poor citizen:  $U_p = x_p - \alpha_p(x_{np} - x_p)$
  - Non poor citizen:  $U_{np} = x_{np} - \beta_{np}(x_{np} - x_p)$
  - $\hat{\theta} =$  belief about  $\theta$
- The non poor citizen can decide to:
  - Support the cash policy:  $(1 - b)t$  is transferred
  - Support the in-kind policy: transfer  $st$  with  $s < 1$
  - Not support any policy: no transfer

Assuming  $\beta_{np} > \frac{1}{2}$  (the nonpoor cares about redistribution)

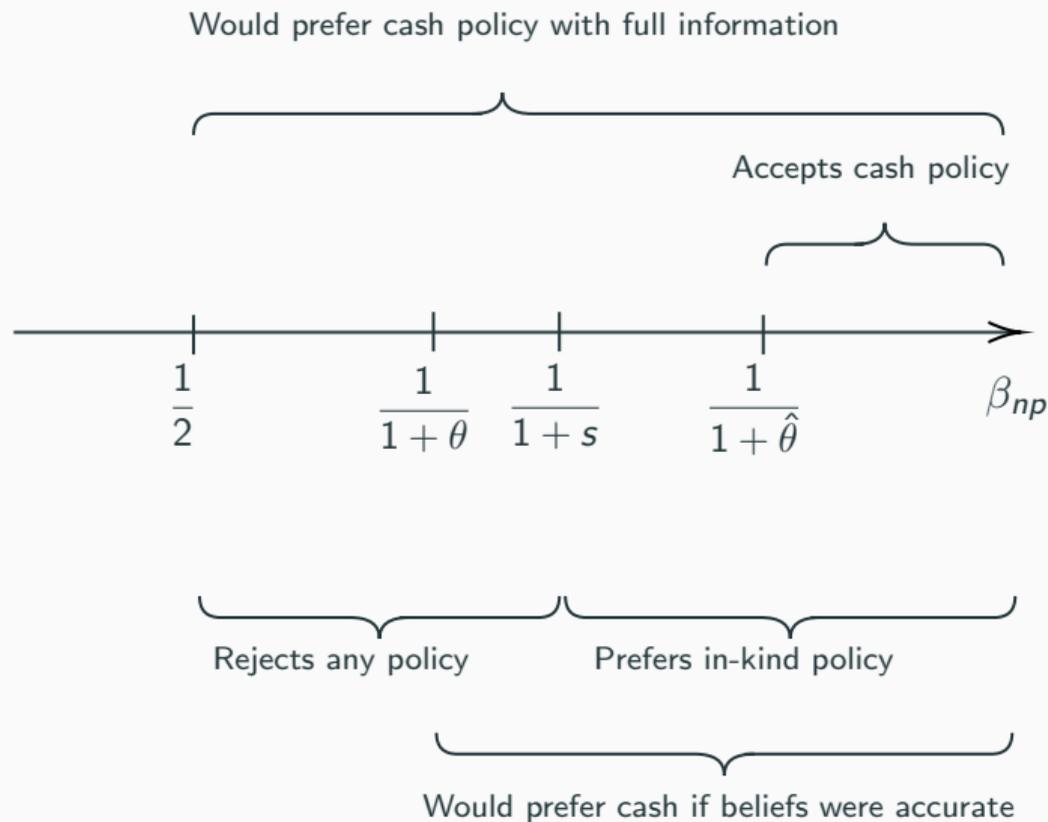
### **Proposition 1**

*Under full information about the politician's type, the cash policy is always preferred to the in-kind policy when the politician in charge of implementing the policy is benevolent while preferences are reversed when the politician is non-benevolent.*

### **Proposition 2**

*A nonpoor citizen will prefer to support an in-kind redistributive policy over a cash policy if the perceived risk of money capture  $(1 - \hat{\theta})$  is larger than the inefficiency of the in-kind policy  $(1 - s)$ .*

# Non poor citizen support decision, $\beta_{np} > \frac{1}{2}, \theta > s > \hat{\theta}$



## The transparency-enhancing device

- The politician is given the opportunity to invest in a transparency-enhancing device (e.g. increases the probability of an audit of the policy implementation)
- Cost of the transparency device:  $c_0 + F$  if non-benevolence is detected
- Is a good separating equilibrium possible?

### Proposition

*The good separating equilibrium arises if the fixed cost of the transparency-enhancing device is not too high ( $c_0 < (1 + \alpha_p + \beta_{np})(1 - s)t$  when  $\beta_{np} > \frac{1}{1+s}$  and  $c_0 < 2(\alpha_p + \beta_{np})t$  when  $\beta_{np} < \frac{1}{1+s}$ ) and the expected fine for the non-benevolent politician is high enough ( $F > t - c_0$ ).*

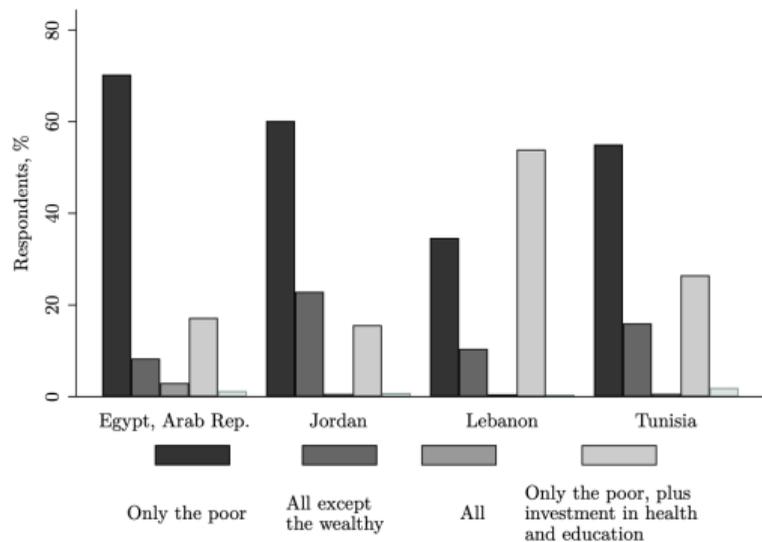
# MENA SPEAKS survey

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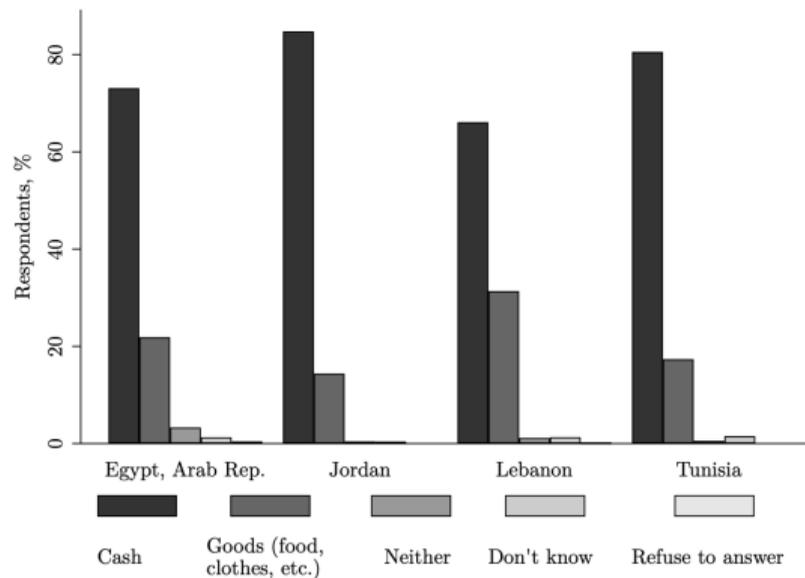
- **Data:** 4 nationally representative and comparable surveys conducted as part of the Spring 2012 wave of Gallup's World Poll in Egypt, Jordan, Lebanon, and Tunisia.
- 1,000 randomly selected households in each country
- **Measures:** subjective income; perceptions on existing inequality; the role of the state as the main provider of SSNs; knowledge of existing SSN programs; preferences on SSN design features (cash versus in-kind, categorical versus poverty targeting, conditional versus unconditional transfers, and acceptability of different types of conditionality); knowledge of existing subsidies; and preferences regarding subsidy removal and different compensation packages.

# What do citizens want? The case of MENA countries

## Preferred targeting of compensation following subsidy reform

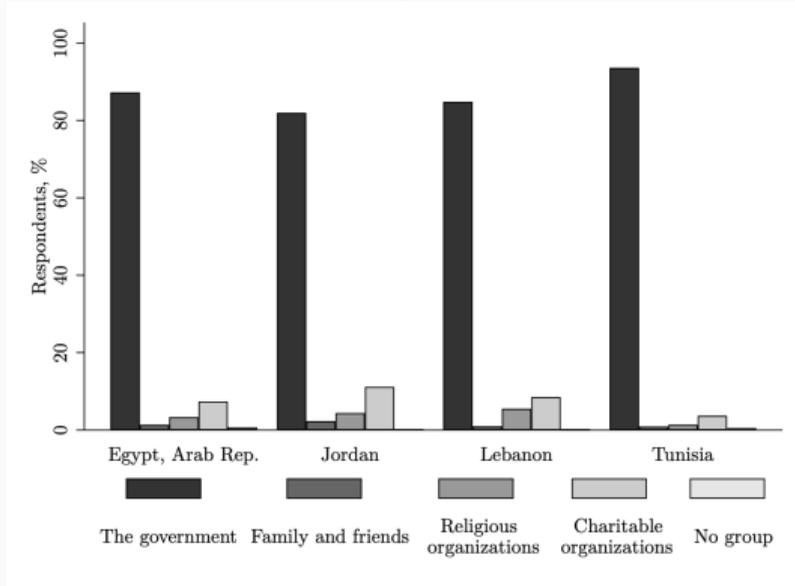


## Preferred categories of SSNs

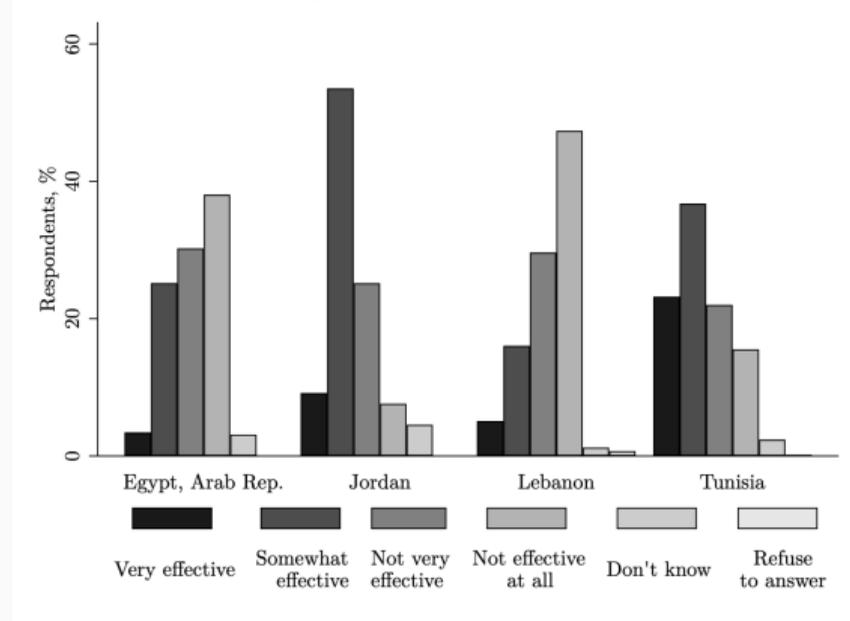


# What do citizens want? The case of MENA countries

## Preference for the most responsible group for helping the poor



## Perception of the effectiveness of the government



# The lab-in-the-field experiment

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## Sample design and selection

- **National representative sample** (based on census data) of the middle class in Jordan.
- **Focus on middle class** as they are likely to be relatively more impacted by a redistribution policy towards the poor
- **Definition of middle class:** households between twice and four times the poverty line (Government of Jordan), corresponding to the population between the 4th and 8th income decile according to the Census

## Sample design and selection

- **Sampling:**
  1. 21 PSUs (localities) were randomly drawn from a sampling frame of middle-class enumeration areas in Jordan based on the 2004 census
  2. within each PSU, households were selected using a random walk method;
  3. adults were recruited (one per household) for the experiment using a Kish (1949) table
- **420 participants:** 42 groups (each with 10 people), half treatment and half control, implemented in 21 public schools across Jordan.
- **Recruited from randomly-selected middle-class census sampling units across Jordan between May and June 2012.** Within each sampling unit, 20 recruits were randomly assigned to treatment and control group (2 separate rooms).

## Decision making process I

- Before the experiment, each participant received 2 fuel vouchers from the Jordan Petroleum Refinery, redeemable at any gas station
  - 5JD (show-up fee) and 10JD (minimum daily wage) to make decisions.
  - Becker DeGroot Marschak (BDM) auction mechanism revealed that 95% of participants considered the voucher equivalent to money.
- During the experiment participants were offered 4 proposals (in a random order), one at a time, for giving up the voucher in exchange for assistance to the poor.

# Decision making process II

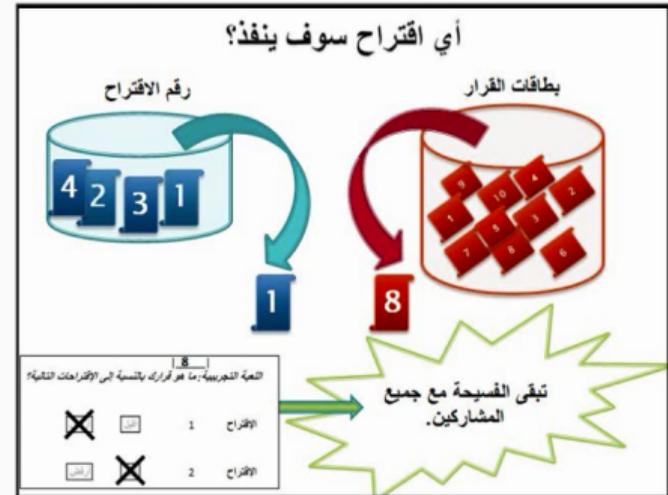
## The redistribution proposals



1. You give up your 10JD voucher. Our team gives 20 JD cash per family to 5 poor families in this community. (**Unconditional cash transfer**)
2. You give up your 10JD voucher. Our team gives a food basket worth 20 JD per family to 5 poor families in this community. (**Unconditional food transfer**)
3. You give up your 10JD voucher. Our team gives 20 JD cash per family to 2 poor families in this community and 60JS cash to the local school (**Unconditional cash transfer and school**)
4. You give up your 10JD voucher. Our team gives 20 JD cash per family to 5 poor families in this community conditional on them completing a free training on work related skills. (**Cash transfer conditional on transfer**)

## Decision making process III

- Decisions were made **individually** and participants were not allowed to discuss them with each other.
- Decisions were **independent**:
  - Participants were offered 4 proposals, one at a time and had to decide, immediately after hearing each proposal to accept or reject
  - After all 4 proposals, decision cards were placed in a jar with one decision being randomly picked and implemented on the whole group.
- Total assistance to the poor in each proposal equal to the sum of all 10 vouchers in the room.



# Audiovisual implementation

Experiment implemented through a 25 minutes video to avoid bias (e.g. Furnham and Boo, 2011)

- Reduce inconsistencies in messaging
- Avoid unintended priming



**الاقتراح رقم 1:**

ز منبلى سيعطى مبلغ 20 ديناراً لكل عائلة من مجموع خمس عائلات فقيرة في حيّك. كل عائلة ستستلم 20 ديناراً وسوف تتخلّى عن قسمتك النقدية بقيمة

20 20 20 20 20

بقسمة 5 دنانير.

**أقبل** أو **أرفض**

لديكم الآن دقيقة واحدة لاتخاذ قراركم وتدوينه على بطاقة تدوين القرار. في هذا النشاط نرجو عدم مناقشة خياركم مع الآخرين. قراركم النهائي يجب أن يكون فردياً وسرياً. لذلك نرجو أن لا تظهروه للمشاركين الآخرين.

# The transparency enhancing treatment

The videos played in the treatment groups included additional information:

- Participants were told that **the facilitator would wait after the conclusion of the experiment for anyone who wanted to follow and witness the implementation of the proposal**
- To reinforce this message, the sentence **“you can come along and see me implementing the proposal”** was **repeated** at the end of each proposal, right before the participants were asked to make their decisions on the proposal
- Treatment increased transparency by alleviating participants' uncertainty about the delivery of the transfer to the intended beneficiaries, and the value of the JD 20 in the case of an unconditional food transfer.
- Treatment choice was guided by info collected during **focus groups** on barriers to redistribution and consultations with counterparts.

## Empirical model

We estimate by OLS a set of treatment-effects models of the following form:

$$Y_i = \alpha + \delta T_i + \beta X_i + e_i \quad (1)$$

where

- $Y_i$ : outcome variable for individual  $i$  (mean giving rate, dummy equal to one if individual  $i$  decided to give up his voucher for that specific proposal (unconditional cash transfer, unconditional food transfer, unconditional cash transfer and school, or cash transfer conditional on training)).
- $T_i$ : Dummy equal to one if the individual was assigned to the treatment group and 0 otherwise;
- $X_i$ : Vector of baseline characteristics (gender, education level, employment status, number of cars in the household (a proxy for household wealth), household size, residence in the capital city, and whether the participant gave to charity in the past three months)
- Clustered wild bootstrap-t standard errors, PSU-level.

# External and internal validity of the design

- **External validity:**
  - Representativeness of the targeted sample
  - Decision process with real effects mimicking a subsidy reform
- **Internal validity:** Two potential concerns:
  - **Experimenter demand effect**
    - Should impact similarly change in behaviors in all proposals
  - **Social pressure/social image**
    - Decisions are made anonymously

## Sample balance

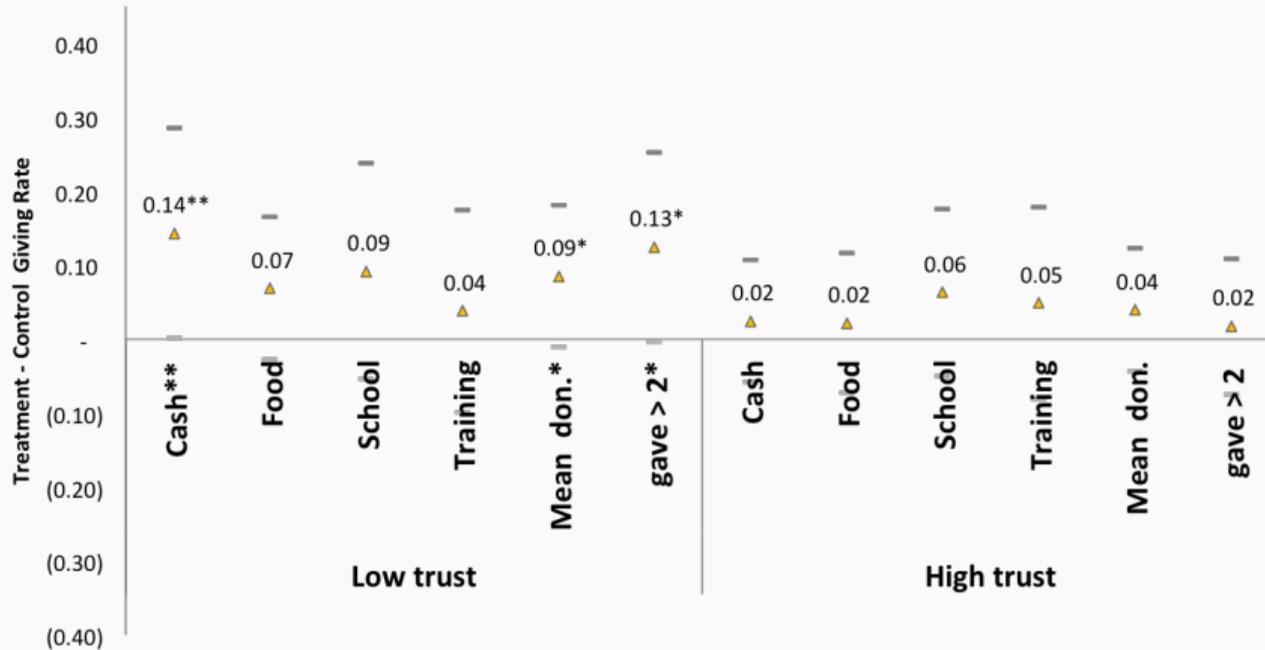
	Male	Primary Ed.	Secondary Ed.	Tertiary Ed.	Age	Youth	P.c. expend.	Cars in household	Currently employed	Household size	Gave charity	Has safety net
T-C mean difference	0.0619 [0.0439]	-0.00580 [0.0253]	-0.0434 [0.0316]	0.0492 [0.0379]	2.754 [1.018]**	-0.0619 [0.0362]	0.354 [4.874]	-0.0381 [0.0745]	-0.0144 [0.0384]	0.0376 [0.237]	-0.0745 [0.0482]	0.0325 [0.0389]
Control mean	0.424	0.0629	0.611	0.326	36.98	0.314	63.02	0.705	0.344	6.072	0.652	0.159
Control std.dev.	0.495	0.243	0.489	0.470	12.58	0.465	44.82	0.691	0.476	2.236	0.477	0.366
N	420	420	420	420	420	420	406	420	418	416	413	412

Notes: PSU Cluster-robust standard errors in brackets. \*\*\*,\*\*,\*Significance at the 1, 5 and 10 percent level, respectively

# Average treatment effect on giving rates

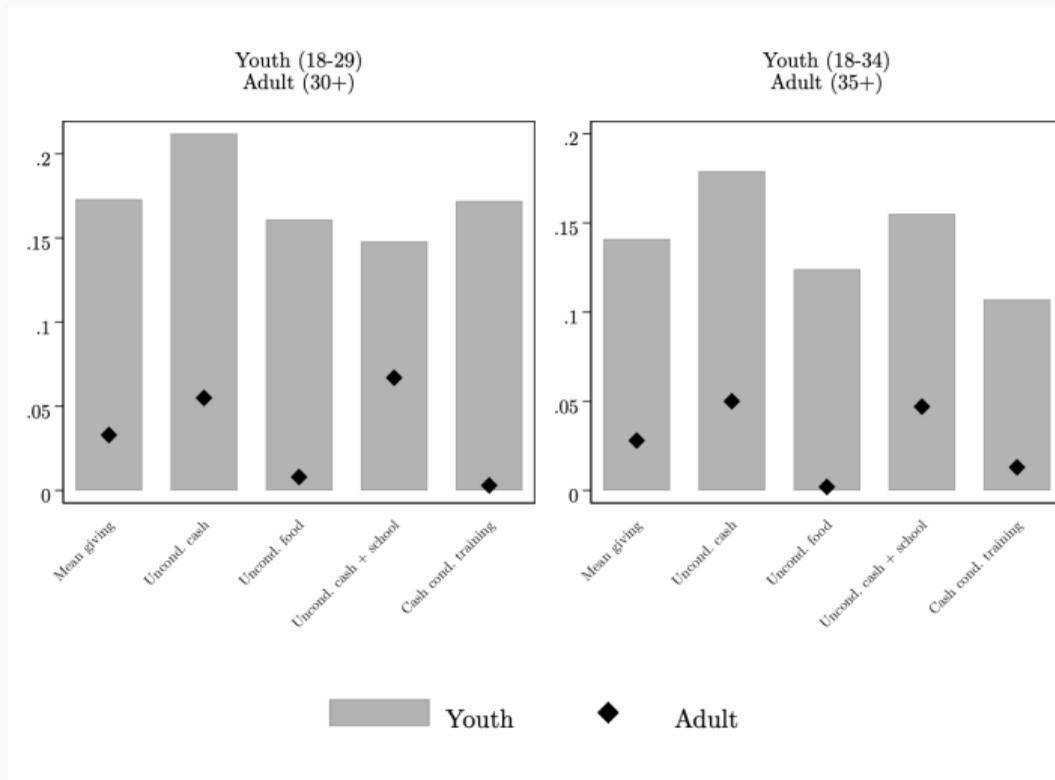
	Control (C)	Treatment (T)	ATE	Difference(C-T) [p-value]		Full Sample	Number of obs.
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
<i>Panel A: Aggregate/all proposals</i>							
Mean giving	0.63 [0.367]	0.71 [0.396]	0.08	0.08	0.08	0.67 [0.383]	402
<i>Panel B: Individual proposals</i>							
Unconditional cash transfer	0.64 [0.436]	0.75 [0.481]	0.11	0.04	0.04	0.69 [0.462]	402
Unconditional food transfer	0.68 [0.442]	0.73 [0.466]	0.05	0.24	0.25	0.71 [0.454]	402
Unconditional cash transfer and school	0.59 [0.465]	0.69 [0.493]	0.10	0.05	0.06	0.64 [0.481]	402
Cash transfer conditional on training	0.63 [0.465]	0.69 [0.484]	0.06	0.30	0.36	0.66 [0.475]	402
Controls included				No	Yes		

# Low versus High trust



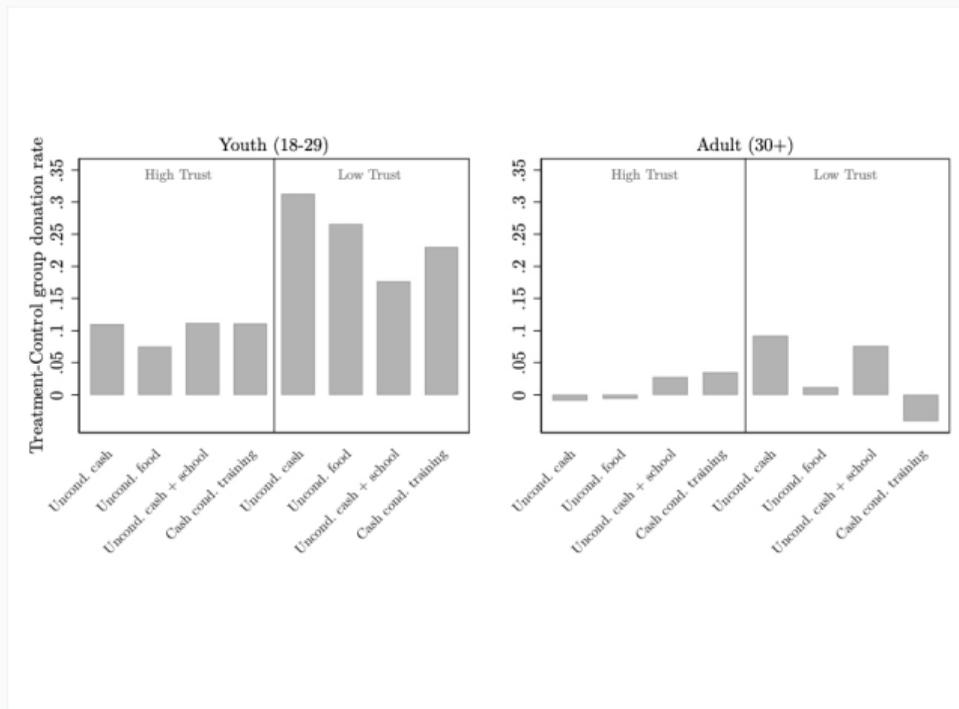
Note: Results show linear effect of participating in treatment group on giving decisions, for different sub-samples. Grey lines represent confidence intervals based on wild bootstrap s.e. \*\*=significant at ,05 level, \* significant at 0.10 level. (N=194, 217).

# By age



Note: Linear effect of participating in treatment group on giving decisions in age group subsamples. N=402. Adults range up to age 80 years

# By age and trust level



Note: Linear effect of participating in treatment group on giving decisions in age group subsamples. N=402. Adults range up to age 80 years.

**Table 1:** Distribution of the preferred proposal, by treatment status

	Control (C)	Treatment (T)	ATE	Difference [p-value] (C-T)	
	(1)	(2)	(3)	(4)	(5)
<i>Preferred proposal</i>					
Unconditional cash transfer	0.20 [0.402]	0.24 [0.425]	0.03	0.49	0.48
Unconditional food transfer	0.33 [0.472]	0.22 [0.414]	-0.11	0.06	0.09
Unconditional cash transfer and school	0.14 [0.344]	0.20 [0.401]	0.06	0.16	0.20
Cash transfer conditional on training	0.33 [0.472]	0.35 [0.477]	0.02	0.59	0.76
Total	1	1			
Controls included	Yes	Yes		No	Yes
<i>Number of observations</i>	154	170			

- Increased awareness about the value of giving offers: no significant interaction effect of education or income  $\times$  treatment
- Effects robust to additional control such as distance to the poor, redistribution values

- The majority of citizens in Arab Republic of Egypt, Jordan, Lebanon and, Tunisia
  - Want redistribution to the poor, preferably in cash rather than in-kind
  - Believe that it is the role of the state to support the most fragile individuals
  - Tend to think that the government is relatively ineffective in this role
- Increasing transparency in benefits delivery
  - Makes middle class citizens more willing to forgo their own welfare to benefit the poor.
  - Has larger effects on youth and low-trust citizens
  - Enhances the support for cash based (rather than in-kind) redistributive transfers

- Successful social policy reform (e.g. subsidy reform), particularly in countries where Governments suffer from credibility deficits, should include elements to enhance monitoring of programs delivery and targeting
- By changing misconception about the Government's capacity, a transparency device could actually have long-run effect on policy acceptance

Thank you!

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# Robustness checks

		Measure of "redistributive values"			
		Society should make incomes more equal	Success is a matter of hard work	People are poor because of bad luck or injustice (not laziness)	Composite index
		(1)	(2)	(3)	(4)
<i>(A) Aggregate/all proposals</i>					
Mean giving	Treatment	0.09 [0.054]	0.10 [0.056]*	0.13 [0.066]*	0.12 [0.069]*
	Treatment*Trust	-0.03 [0.014]**	-0.06 [0.020]***	-0.09 [0.031]***	-0.09 [0.030]***
	Redistribution values	-0.03 [0.040]	0.10 [0.034]***	0.06 [0.046]	-0.02 [0.055]
<i>(B) Individual proposals</i>					
Unconditional cash transfer	Treatment	0.15 [0.076]**	0.16 [0.074]**	0.18 [0.085]**	0.17 [0.090]*
	Treatment*Trust	-0.10 [0.032]***	-0.12 [0.040]***	-0.16 [0.053]***	-0.15 [0.050]***
	Redistribution values	-0.08 [0.047]	0.10 [0.042]**	0.08 [0.044]*	-0.03 [0.050]
Unconditional food transfer	Treatment	0.08 [0.050]	0.08 [0.049]	0.11 [0.057]**	0.10 [0.059]*
	Treatment*Trust	-0.04 [0.025]*	-0.07 [0.030]**	-0.10 [0.035]***	-0.09 [0.036]**
	Redistribution values	-0.06 [0.055]	0.12 [0.050]**	0.06 [0.056]	-0.04 [0.055]
Unconditional cash transfer and school	Treatment	0.09 [0.074]	0.10 [0.079]	0.15 [0.085]*	0.14 [0.089]
	Treatment*Trust	-0.01 [0.009]	-0.04 [0.027]	-0.10 [0.038]**	-0.09 [0.039]**
	Redistribution values	0.04 [0.056]	0.09 [0.049]*	0.09 [0.053]*	0.00 [0.012]
Cash transfer conditional on training	Treatment	0.03 [0.062]	0.04 [0.067]	0.06 [0.083]	0.06 [0.085]
	Treatment*Trust	0.03 [0.782]	0.01 [0.024]	-0.02 [0.019]	-0.01 [0.014]
	Redistribution values	-0.01 [0.054]	0.08 [0.044]*	0.02 [0.046]	-0.01 [0.121]
Controls included	Yes	Yes	Yes	Yes	