

What Do I Get? Positive Externalities and Support for Public Investment

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Abstract

Infrastructural shortfalls and unequal access to basic services have turned public investment into a central site of political contestation in developing countries. Funding such policies requires higher taxation and the formation of coalitions centered on middle- and upper-income citizens. These groups often opt out of public services, which complicates redistributive efforts. When are middle- and upper-class citizens willing to fund goods that primarily benefit the poor? I argue that they may do so if they perceive positive externalities aligned with their ideological predispositions. Evidence from a vignette experiment on a housing program in Argentina shows that middle- and upper-class citizens aligned with right-wing ideologies are more likely to support and contribute to tax increases when the policy is framed as promoting productivity growth, whereas left-leaning citizens are less sensitive to the specific framing. These findings shed light on how such messages can shape support for public investment across ideological lines.

Keywords: public investment, coalitions, ideology, externalities, survey experiment, housing.

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Introduction

Infrastructure deficits in low- and middle-income countries constrain individual welfare and economic growth, and turn investment in public goods into a central arena of political contestation. Rising urban costs, widespread evictions, and shortages of public housing have forced millions into precarious living conditions, exacerbating spatial inequality in access to basic services (Castells-Quintana, 2017; Michaels et al., 2021). As a result, large segments of the urban population reside in informal settlements with limited or no access to electricity, water, sanitation, and transport—conditions that restrict access to health care, education, and labor markets (Auerbach, 2019; Rains et al., 2019; Xu, 2023). In this context, public infrastructure, and in particular, public housing, emerges as a critical tool to improve the lives of its direct recipients but also for enhancing urban inclusion more broadly (Cattaneo et al., 2009; Galiani et al., 2017; Shami, 2019; Ansell, 2019; Lei and Zhou, 2022; Araújo et al., 2024; Xu, 2024).

Nevertheless, expanding public infrastructure entails substantial fiscal costs. While tax increases constitute a central mechanism for funding these efforts, they also generate political costs that make them difficult to implement (Besley et al., 2004; Berens, 2015; Flores-Macías and Sánchez-Talanquer, 2020; Berens and Gelepithis, 2021). Building political coalitions to support higher taxation typically hinges on the willingness of middle- and upper-income citizens to contribute, particularly when they are asked to fund goods from which they may not directly benefit (Holland and Schneider, 2017). This challenge is especially acute in developing countries, where wealthier segments of society often opt out of state-provided services and maintain limited dependence on the public sector (Ballard-Rosa et al., 2017; De la O et al., 2023). This raises a central question: Under what conditions are middle- and upper-class citizens willing to support higher taxation to finance public goods that primarily benefit the poor?

While some studies argue that convincing the middle and upper classes to pay more taxes in support of services oriented towards the poor is challenging, I contend that they may indeed be willing to do so under certain conditions. Specifically, if the implementation of these policies has been demonstrated to be efficient not only for the poor but also to have positive externalities aligned with their own interests. Externalities occur when the decisions of certain actors have an impact on the welfare of others (Chavas, 2022). Previous work shows that middle- and upper-class support for public works varies with the salience of positive externalities (Holland, 2023). In line with this finding, I hypothesize that citizens that belong to those classes and who are not direct beneficiaries of these policies may be willing to support them and even contribute to their implementation if they become aware that these policies might have positive externalities aligned with their ideological predispositions. In particular, I argue that middle- and upper-class citizens aligned with right-wing ideologies may be willing to pay more taxes if the funds are framed as contributing to public services that promote productivity growth, whereas those aligned with left-wing ideologies may be willing to do so if the funds are framed as contributing to social integration efforts.

I test my theory using an online vignette experiment in Argentina, incorporating real-life experiences gathered through fieldwork to enrich the study's content. Specifically, I examine a housing policy implemented in Buenos Aires City and field the experiment among middle- and upper-class citizens from this region. This case presents a valuable opportunity to test my expectations and analyze the scope of my theory.

First, Argentina exhibits high levels of tax evasion, and faces inflation, poverty, and a government opposing public investment. Second, a national survey I conducted immediately before fielding this experiment found that only 20% supported raising property taxes for housing policies, compared to 42% and 43% for education and health, respectively. This suggests that, at first glance, citizens are reluctant to endorse tax increases for housing programs. In 2015, Buenos Aires City launched a program to upgrade and integrate slum communities.¹ While this program primarily targets low-income populations, it also has externalities that affect middle- and upper-class citizens, thereby enhancing the external validity of my experiment. Despite its importance, public awareness remains low, though those familiar with it strongly support it, making treatment effects harder to detect. Therefore, if middle- and upper-class citizens in such an unfavorable context are willing to support the expansion of public investment in housing for low-income populations when an externality is highlighted, it is highly likely that cross-class coalitions can be formed to implement social investment policies for the poor in more favorable settings.

Results suggest that middle- and upper-class citizens are more likely to support increasing public investment when these programs generate positive externalities aligned with their ideological preferences. Specifically, middle- and upper-class respondents show increased support for expanding housing policies for the poor and, more importantly, for taxation to fund these programs when such externalities become salient. Consistent with my argument, I find that right-leaning respondents are more willing to support and contribute to public investment when the externalities relate to economic growth. For left-leaning respondents, the social inclusion prime yields a modest increase relative to the control group, but their overall levels of support are less responsive to ideologically congruent primes.

This article contributes to emerging studies on preferences for the expansion of public investment and tax contribution (Jensen et al., 2023; Holland, 2023; Barnes et al., 2024; Fairbrother, 2019; Ballard-Rosa et al., 2017; Feierherd et al., 2017). In line with research that highlights self-interest motivations, it helps fill an important gap in the literature on the factors shaping cross-class coalitions for the implementation of social policies (Holland and Schneider, 2017; Cavaillé and Trump, 2015; Armingeon and Weisstanner, 2022; Borges, 2022; Xu, 2024). Specifically, it identifies

¹The program is structured around three key pillars. First, it aims to provide adequate housing and ensure that each home is connected to essential infrastructure services. Second, it promotes socio-economic integration by expanding access to education, healthcare facilities, and employment opportunities. Lastly, it seeks to incorporate these settlements into the urban landscape by enhancing connectivity with the rest of the city. This includes developing streets, sidewalks, and public transportation networks of comparable quality to those in other areas, along with formalizing land tenure.

the conditions that facilitate support for taxation among middle- and upper-income groups. In doing so, I advance an argument based on positive externalities (Holland, 2023) and link it to scholarship on the ideological and partisan alignments of these groups (Bartels, 2008; Franko et al., 2013; Ballard-Rosa et al., 2017; Jacobs and Matthews, 2017).

The findings also speak directly to debates surrounding the paradox of redistribution. While universal programs can generate broader support as long as they offer direct benefits to the middle and upper classes (Korpi and Palme, 1998; Rueda and Stegmueller, 2016a; Berens and Gelepithis, 2019), many developing countries lack the fiscal capacity to adopt universalistic approaches. This study shows that, even under such constraints, support among higher-income groups can be mobilized when policies are framed in ways that highlight positive externalities—such as economic growth or social integration—rather than direct material gains. In this sense, the results clarify how externality-based appeals can expand coalitional support for public investment, offering an alternative route for strengthening redistributive states in contexts where the wealthy often opt out of public services.

The remainder of the article proceeds as follows. I first develop the theoretical argument and derive the core hypotheses. I then outline the research design, discussing the case, and the modeling strategy. The subsequent section presents the main results, followed by a series of robustness checks that assess the validity of the findings. The article concludes with a discussion of the broader implications for the study of public investment, cross-class coalitions, and the politics of redistribution in developing countries.

Theory and Hypotheses

Governments can embark on investments in public works infrastructure such as hospitals, schools, roads, clean water, transportation and housing to improve citizens' well-being and correct inequality imbalances (Dunning, 2012; Stokes et al., 2013; Duflo et al., 2011; Galiani et al., 2017; Xu, 2024). While some public works, such as public transportation and public roads, are visible to a large portion of the population and impact a higher proportion of citizens, others, like clean water and housing, are more limited to their direct beneficiaries but still have a significant impact on the larger population. The advantages of public works for the poor are well documented: it increases education levels, improves health outcomes, promotes employment, and reduces poverty. However, the benefits for the wealthy and middle class are more blurred. While they may not directly benefit from public services such as schools and hospitals, the existence of these services can lead to increased property values by improving neighborhoods (Harrison, 2006), enhanced business productivity (Romer, 1990), disease prevention (Min, 2015), and crime reduction (Rueda and Stegmueller, 2016b).

Such positive consequences can be analyzed as externalities: in abstract terms, this is so because they have an impact on the welfare of actors that are not directly involved in the provision of the good that is being analyzed - not providing it nor receiving it (Chavas, 2022). More specifically, middle and upper-class citizens derive utility from public works infrastructure even if they do not use it, due to its positive social consequences.

Even though public infrastructure can have positive externalities for a greater proportion of citizens rather than just its direct beneficiaries, its demand is not straightforward. First, this type of policy benefits those who live nearby more significantly, yet its advantages extend beyond geographical limitations (Min, 2015). Hence, it can be difficult to support the implementation of public works that will affect other locations rather than the one closer to those who pay for it. Second, low-income citizens typically have stronger incentives to demand essential services, such as housing, education, and healthcare, compared to wealthier individuals. In many places, especially in developing countries, wealthier individuals often avoid using state-provided public services (De la O et al., 2023).

Nonetheless, this demand from the poor is not always channeled through institutionalized public works. Sometimes, governments prefer to rely on informal ways to address the demand for public works from the poor, which are less expensive in terms of the public budget and still electorally advantageous (Stokes, 2005; Schedler, 2004; Kitschelt and Wilkinson, 2007; Stokes et al., 2013; Mares and Young, 2016; Diaz-Cayeros et al., 2016). Given that, at first glance, the wealthy do not have incentives to push for public investment and the poor's demand is satisfied—at least partially—through informal channels, there is a weak incentive for building a coalition in favor of increased spending and, subsequently, improving the quality and quantity of public services delivered (Holland and Schneider, 2017).

This is especially true in the case of public works infrastructure with a limited set of direct beneficiaries, such as housing policies (Auerbach, 2019; Rains et al., 2019; Xu, 2024). However, when governments decide to implement or expand these policies, they have two options in terms of budget. One is to reallocate resources and reduce spending in other areas, and the other is to increase taxes, which clearly affects the middle and upper classes more directly. Given that the first scenario is not always possible and may depend on government budgets, priorities, and specific cases, my argument focuses on the second option. That is, how can governments aiming to invest in public works build cross-class coalitions that enable them to reduce inequality, even if this implies an increase in taxes for the middle and upper classes?

Whereas previous authors have emphasized ideology and partisan alignments on one hand, and the relevance of positive externalities on the other, to the extent of my knowledge, this is the first study to examine the interaction between these two variables. I combine explanations that center on the ideology and partisanship alignments of the upper and middle classes (Bartels, 2008; Franko et al., 2013; Ballard-Rosa et al., 2017; Jacobs and Matthews, 2017) with those

that emphasize the relevance of positive externalities (Besley et al., 2004; Holland, 2023; Harrison, 2006; Gonzalez-Navarro and Quintana-Domeque, 2016; Xu, 2024). Public works infrastructure, such as housing policies oriented towards the poor, have direct benefits for the poor and indirect benefits that are also enjoyed by the wealthy, who are the main financiers of these projects. When the middle and upper-class become aware of these externalities, they are more likely to accept an increase in taxation in favor of public investment than if they are not aware of those externalities (Berens and Gelepithis, 2021; Holland, 2023).

I argue that the salience of positive externalities aligned with middle and upper-class citizens' interests is essential for gaining their support for public works infrastructure. Ideology has been identified as a main factor that explains citizens' predisposition to pay taxes, with left-leaning individuals being more prone to do so (Jæger, 2008; Margalit, 2013; Armingeon and Weisstanner, 2022; Franko et al., 2013; Fernández-Albertos and Kuo, 2018). However, there is evidence that right-leaning citizens tend to support investments that contribute to economic growth. Considering that the way messages are framed can affect individuals whose ideological beliefs align with the content (Chong, 2007), I hypothesize that positive externalities aligned with right-leaning beliefs increase support among right-leaning citizens from the middle and upper classes, while positive externalities aligned with left-leaning beliefs increase support among left-leaning citizens within the same social classes. In other words, middle and upper class citizens derive utility from positive externalities, but the extent to which they do so is moderated by ideology: the relative weight that they assign to each externality in their utility function depends on how relevant such externality is for their ideological values.

Given that public investment aims to create and mobilize human skills and capabilities (Busemeyer and Garritzmann, 2017), these policies can be presented as inclusive initiatives that particularly benefit low-income citizens, or they can be portrayed as initiatives that aim to reshape the labor market, highlighting the potential economic growth that comes with the re-commodification of workers (Gingrich and Ansell, 2015). While left-leaning politicians may support social investment policies to diminish inequality and foster social inclusion, right-leaning ones might do so to contribute to economic growth, which lies at the core of their ideological program (Luna, 2014). However, I anticipate that the relation among the left might be difficult to observe empirically due to ceiling effects.

Moreover, I argue that the salience of positive externalities also affects citizens' willingness to pay higher taxes. Previous studies have identified other reasons why citizens, who are initially thought to be averse to paying taxes—primarily those leaning to the right—may be willing to do so when they perceive it as a fair action (Feierherd et al., 2017) or when it aligns with their own interests (Margalit, 2013). Instead, I focus on the externalities that a policy may produce to explain how to build coalitions across the ideological spectrum. In particular, I argue that middle and upper class citizens aligned with right-wing ideologies may be willing to pay more taxes if the funds are directed towards public investment that promotes productivity growth, whereas those aligned with left-wing ideologies will be willing to do

so if the funds contribute to social integration efforts.

Therefore, the following hypotheses are derived from my argument:²

H1: Middle and upper class citizens show a higher *support* for public works investment when positive externalities become salient (compared to the absence of externalities).

H2: Middle and upper class citizens show a higher *support* for public works investment when positive externalities aligned with their ideological position become salient (compared to the absence of externalities).

H2b: I also expect this effect to occur in comparison with the presence of positive externalities aligned with the opposite ideological position.

H3: Middle and upper class citizens will accept an increase in *taxation* in favor of public works investment when positive externalities aligned with their ideological position become salient.

H3b: I also expect this effect to occur in comparison with the presence of positive externalities aligned with their opposite ideological position.

In the case of right-leaning middle and upper-class citizens, positive externalities are related to economic growth. For the left-leaning ones, they are linked to social inclusion. Since left-leaning citizens may exhibit a higher baseline of support for public works investment and may be more willing to contribute to it, I am more skeptical about identifying this effect due to potential ceiling effects, as anticipated in the pre-registration.

Research Design

I test my theory using the case of housing policy in Buenos Aires City with a pre-registered vignette experiment conducted between November 2024 and January 2025. To improve the design of the experiment, I conducted six interviews with individuals who have served as officials and bureaucrats in the city government and were responsible for the design and implementation of the policy, as well as eight beneficiaries from three informal settlements where the program was implemented.³

²The wording differs slightly from the pre-registration, but the meaning remains the same. The numbering has been updated for clarity.

³All interviews were conducted between September and November 2024. The study received exempt classification from my University's IRB. Most interviews were virtual, followed a semi-structured format, and were recorded and transcribed with participants' consent. Respondents were

Public Investment in Buenos Aires's Informal Settlements

Buenos Aires City is characterized by a high degree of urbanization, with stark contrasts between affluent neighborhoods and marginalized areas, such as informal settlements or

villas. These areas face challenges related to poverty, housing inequality, and limited access to basic services, despite the wealth of the city. In 2015, the local government led by a center-right administration launched a program to improve and integrate these informal settlements into the larger city.

This policy consists of three distinct pillars. Firstly, it involves providing housing and connecting basic infrastructure services to each home. Specifically, this includes connecting household networks to essential services, improving existing homes, and building new homes to relocate families affected by decongestion, street openings, risks of collapse, and overcrowding. To achieve this, the local government developed a credit system tailored to each housing solution (Motta and Almansi, 2017; Diaz, 2019). Secondly, it focuses on socio-economic integration through access to education, health centers, and employment opportunities. Finally, it aims to integrate the informal settlements into the urban fabric by improving connectivity with the rest of the city, ensuring similar conditions for services and transportation (such as streets, sidewalks, and public transit), and regularizing land ownership. Political alignment between the national government, the City of Buenos Aires, and the Buenos Aires Province facilitated access to public land essential for urbanization projects, as well as funding for the construction of new housing and infrastructure.⁴ The funding for this project comes primarily from international organizations, with the majority provided by the World Bank, followed by regional entities such as the Inter-American Development Bank (IDB) and the Development Bank of Latin America (CAF).

The process was implemented in four informal settlements (see Appendix for more details on the policy). According to an impact evaluation provided by a former official interviewed, the program showed favorable results on a range of indicators.⁵ Analysis of the quality of housing materials revealed a substantial improvement in the affected neighborhoods, as well as better access to water, electricity supply networks, and gas connections. The ventilation of the homes improved and the levels of overcrowding decreased. Interviews with beneficiaries confirm these findings, one stating: “For each of my children to have their own room to sleep, study, and enjoy their free time is something I always dreamed of giving them, and I thought it would never be possible.”

In addition, urban nomenclature and proximity to green spaces were the aspects with the most significant positive impact from the intervention. In this regard, beneficiaries have stated: “Having a real address has unexpected advan-

recruited through personal networks and snowball sampling. See more details in Appendix B).

⁴This political alignment is unusual in Argentina's history: it occurred only four times over more than forty years of democracy.

⁵This is a technical report prepared by the Buenos Aires City Government and the Catholic University of Argentina.

tages, from being able to include a real address on a resume during the job search process, to my children being able to invite friends over, or having access to the Internet without relying on someone else's connection." Lighting is another aspect that stood out in the interviews and, according to the impact evaluation, it contributed to reducing feelings of insecurity. In an interview, a beneficiary mentioned that due to reurbanization, school buses now enter the slum, and combined with the lighting in the neighborhood, it provides peace of mind for her children to attend school while she goes to work. Regarding educational access, all the informal settlements showed a decrease in the number of children and adolescents who did not attend formal educational institutions, and access to full employment and social security experienced some improvements.

This program aimed at upgrading and integrating informal settlements into the broader urban landscape and it was carried out by a center-right administration led by Horacio Rodríguez Larreta, who served as the Chief of Government of Buenos Aires from 2015 to 2023. Larreta was a member of the Republican Proposal (PRO) party, which was part of the center-right coalition Together for Change (Juntos por el Cambio). This program was a central component of his agenda and featured prominently in several of his public speeches during his tenure and in his election campaigns.

Although the program was a key part of this government, public awareness of it remains relatively low, despite high levels of support among those who are familiar with it. A national survey conducted in Argentina between October and November 2024 (online convenience sample designed to mimic national representativeness) revealed that only 18% of the population was familiar with this policy, a figure that increases to 33% when the sample is limited to Buenos Aires City. Among those who were aware of the program, support levels were relatively high, with 67% approval at the national level and 83% in Buenos Aires. Moreover, in the online survey conducted for this study in Buenos Aires City, 54% of respondents were familiar with the program, and this percentage was balanced across respondents identifying with both the right and the left.

Regarding taxation, the revenue from local sources in the Buenos Aires city is mainly composed of the monthly income from a personal income tax (*impuesto a los ingresos brutos*) (which accounts for approximately 85% of total collection). The second most important source is the monthly tax revenue from ABL (*alumbrado, barrido y limpieza*), which consists of the property tax and the fee for various municipal services (lighting, sweeping, cleaning, and maintenance of drains) and represents between 5% and 6% of the total revenue. The remaining percentage consists of vehicle license taxes, stamp taxes, advertising taxes, and other levies. In contrast to the income tax, the ABL is paid by everyone who lives in the city and it is received as a separate bill every month. The tax base is determined by the property tax assessment, updated annually by the Legislature. Thus, the value of the ABL depends on the neighborhood and the property tax assessment. In the online survey conducted for this study, 70% of respondents acknowledged that they pay this tax, with no differences between the left and the right. Although this value may seem

low, only 49% acknowledged that they pay VAT, which is a tax included in the final price that everyone pays when purchasing goods and services.⁶

This case offers an intriguing opportunity to analyze whether emphasizing certain externalities of the program rather than others increases public support and whether middle- and high-income citizens are willing to pay higher taxes to finance its expansion. It is important to note that this case introduces an additional layer of complexity, given that Argentina's current macroeconomic situation is marked by high inflation, poverty, and a national government that opposes public investment, despite enjoying strong popular support. That makes it one of the most challenging tests for my argument. Therefore, if in such an unlikely context middle and upper classes are willing to support the expansion of public investment in housing for the poor when an externality is highlighted, it is highly likely that cross-class coalitions can be formed to implement social investment policies for the poor in more favorable contexts.

Experimental Design: Sampling

The vignette experiment consisted of 1002 respondents in Buenos Aires City. The sample is comprised only of middle and upper class citizens and is representative in terms of age, gender, and district (for more information about the quotas see appendix). This data was collected online from November 2024 to early February 2025 by the survey firm Opinaia as a subset of their existing online panel. All respondents first answer demographic questions related to their gender, age, level of education, district (*comuna* in Buenos Aires City), main occupation, self-perception of class, ideology and vote choice. For this analysis, I consider only respondents from middle and high socioeconomic status households (defined as such by the consulting firm). As a check, the respondents that were included in the sample also self-identify as belonging to these social classes.

The treatment (salience of positive externalities) is randomly assigned within each group defined by ideology. To define these blocks, I use the self-identification question, categorizing ideology on a scale from 1 to 5 as leftist and from 6 to 10 as rightist. This measurement of ideology aligns with citizens' voting behavior. In particular, the correlation between citizens' ideological self-placement and their vote for Javier Milei in the 2023 ballotage is 0.43. Similarly, the correlation is 0.45 for their vote for Milei's candidate in Buenos Aires City, Ramiro Marra, or for Jorge Macri, the winning candidate, both of whom are right-leaning. Moreover, voting patterns highlight ideological divides: 29% of those identified as leftist voted for either Marra or Macri, compared to 75% among those identified as rightist.

Thus, based on these ideological categorizations, I obtained 402 responses from citizens aligned with the left and

⁶Even though citizens could pay in cash to evade VAT, the middle and upper-class population of the City of Buenos Aires is the most banked in the country and the one that conducts the most electronic transactions or uses credit or debit cards.

600 from the right. Within these groups, I randomly assigned respondents to one of three conditions. A positive externality related to social inclusion was presented to 133 left-leaning and 195 right-leaning respondents, while a positive externality associated with economic productivity was assigned to 138 left-leaning and 201 right-leaning respondents. The remaining respondents—128 from the left and 199 from the right—were assigned to the control group, which received a prompt without any mention of externalities. The wording of the vignettes is shown in Table 1 and is informed by interviews conducted with beneficiaries and politicians during September and October 2024.

All respondents were exposed to the following paragraphs before the vignettes:

- *Spanish*: “En los últimos ocho años el Gobierno de la Ciudad de Buenos Aires implementó el programa de reurbanización de villas y asentamientos urbanos, facilitando que más personas accedan a una vivienda digna, infraestructura urbana y servicios públicos (cloaca, luz, agua potable, asfalto y transporte público)”.
- *English*: “In the last eight years, the Government of the City of Buenos Aires has implemented the reurbanization program for informal settlements, making it easier for more people to access decent housing, urban infrastructure, and public services (sewage, electricity, drinking water, asphalt, and public transportation).”

Table 1: Treatment Conditions

Variable	Measurement (Spanish)	Measurement (English)
Treatment 1 (Social inclusion)	Esto ayudó a que más personas que viven en estos lugares asistan a establecimientos educativos, contribuyendo a promover la inclusión social y a disminuir la desigualdad de la Ciudad. Por ejemplo, Antonia - beneficiaria del programa – cuenta lo siguiente: “Gracias a este programa, mi familia tiene un mejor estilo de vida. Mis hijos empezaron a ir a una escuela mejor acá en el barrio, tienen su propio cuarto en donde pueden estudiar tranquilos e invitar a sus amigos a jugar”.	This has helped more people living in these areas attend educational institutions, contributing to promoting social inclusion and reducing inequality in the City. For example, Antonia – a beneficiary of the program – shares the following: “Thanks to this program, my family now enjoys a better quality of life. My children started attending a better school here in the neighborhood, they have their own room where they can study in peace and invite their friends to play”.
Treatment 2 (Economic growth)	Esto ayudó a que más personas que viven en estos lugares formen parte de la mano de obra formal en empresas, contribuyendo al crecimiento económico y a la productividad de la Ciudad. Por ejemplo, Antonia - beneficiaria del programa – cuenta lo siguiente: “Gracias a este programa, mi familia y yo tenemos una dirección real que nos permitió encontrar un trabajo en blanco. Mi marido comenzó a trabajar en la carnicería que abrieron acá en el barrio y yo en una cadena de farmacias”.	This has helped more people living in these areas become part of the formal workforce in companies, contributing to the economic growth and productivity of the City. For example, Antonia – a beneficiary of the program – says the following: “Thanks to this program, my family and I now have a real address, which allowed us to find formal employment. My husband started working at the butcher shop that opened here in the neighborhood, and I started working at a pharmacy chain”.
Control		

To test the main hypotheses, I generate two outcome variables based on the question of whether respondents support this program (for H1, H2 and H2b) and two based on whether they are willing to pay taxes to expand this program (for H3 and H3b). In particular, I ask about increasing ABL, which, as mentioned above, is paid by almost everyone in the city—especially among the middle and upper classes—and is the tax that respondents seem to be most aware

of, at least in my survey sample.

Table 2: Outcome Variables

Variable	Measurement (Spanish)	Measurement (English)
Support program expansion	¿Cuán de acuerdo estaría usted con la expansión de este programa a más villas y asentamientos informales de toda la Ciudad?	How much would you agree with the expansion of this program to more informal settlements in the entire city?
	¿Cuán de acuerdo estaría usted con la expansión de este programa a más villas y asentamientos informales de tu Comuna?	How much would you agree with the expansion of this program to more informal settlements in your district?
Tax contribution	¿Cuán de acuerdo estaría usted con que el gobierno incremente el impuesto inmobiliario (ABL) en un 10% para expandir este programa a más villas y asentamientos informales de toda la Ciudad?	How much would you agree with the government increasing the property tax (ABL) by 10% to expand this program to more informal settlements in the entire city?
	¿Cuán de acuerdo estaría usted con que el gobierno incremente el impuesto inmobiliario (ABL) en un 10% para expandir este programa a más villas y asentamientos informales de tu Comuna?	How much would you agree with the government increasing the property tax (ABL) by 10% to expand this program to more informal settlements in your district?

All variables are continuous, ranging from 1 to 5, with higher values indicating greater support.

Model Estimation

All specifications are run with and without a pre-specified set of control variables. The control variables include an individual's level of education, age, gender, income and the candidate to which they voted in the last election. Moreover, I consider a number of additional variables that I shall control for and take into account in the discussion section of this paper as alternative explanations: whether citizens were positively or negatively affected by the current program, whether they live in counties already exposed to the project, and their perception of it. Since randomization took place at the individual level, I am not clustering standard errors and, for ease of interpretation, my primary specification will be OLS. However, I also run ordered probit models for robustness. In the following, I present my model specifications for each of the hypotheses.

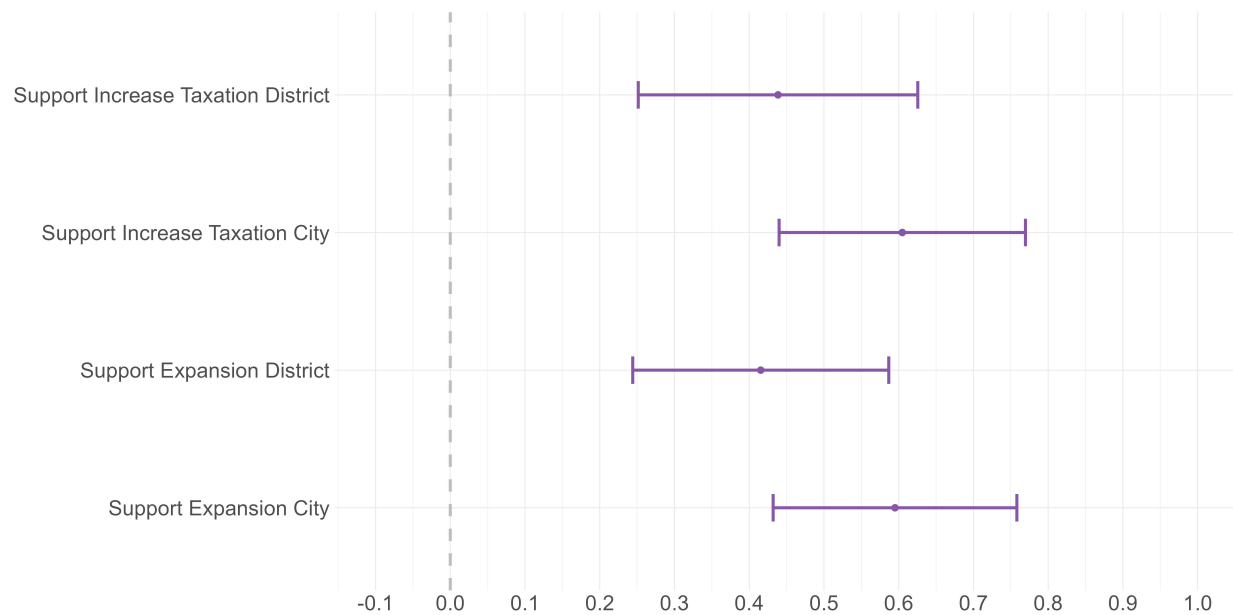
Results

The findings support the argument of this study, even when controlling for socioeconomic and political covariates (which, in general, do not have a significant effect on these results - see appendix for tables).

As Figure 1 shows, middle-and upper-class citizens demonstrate an increase in support for the expansion of public works investments in the city and their own district (comuna) when positive externalities (either related to social inclusion or economic growth) become salient, compared to when no externality is present. On average, this increase is 0.6 points on a scale from 1 to 5 in the case of the city and 0.42 points in the case of the district. These results

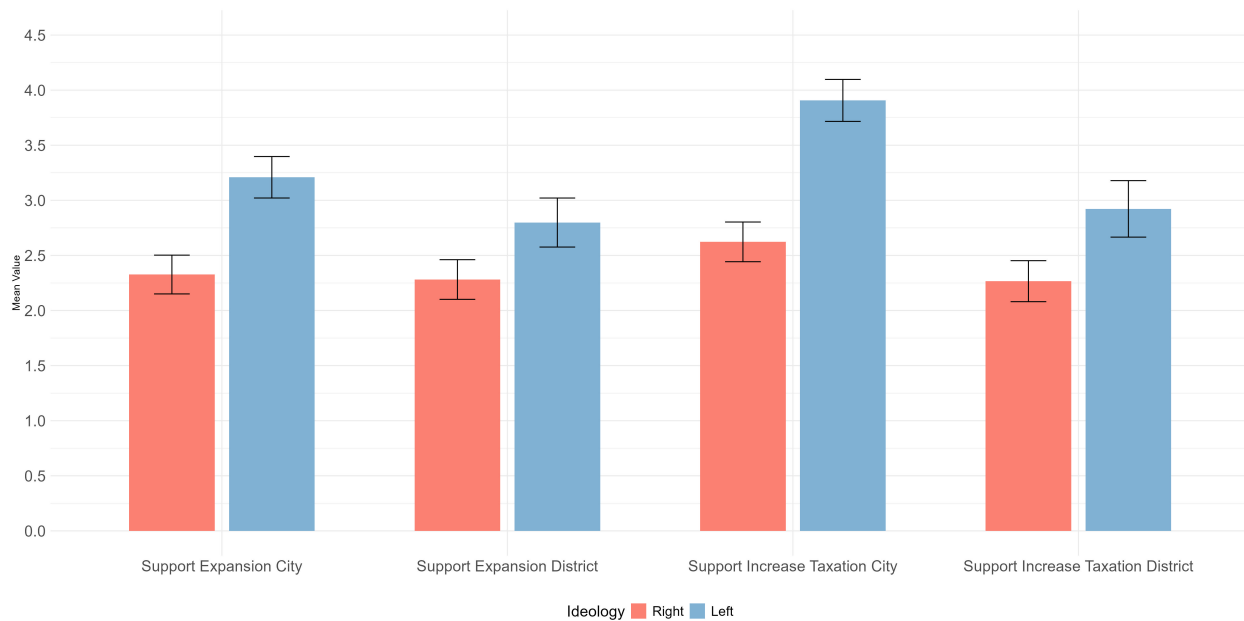
align with the expectations outlined in H1. Furthermore, middle and upper class citizens are more likely to support an increase in taxation for the expansion of public works investments when positive externalities (either related to social inclusion or economic growth) become salient compared to when no externality is present. The magnitudes of these increases are similar to those of support, at 0.6 points in the case of the city and 0.44 points in the case of the district. Thus, in line with previous studies, my results show that the salience of positive externalities increases support for the expansion of public works and citizens' tolerance for tax increases to achieve that end.

Figure 1: The Effect of Positive Externalities on each Outcome of Interest



The baseline level of support for the expansion of the program and middle and upper class citizens' willingness to pay more taxes for that purpose is relatively high. As Figure 2 shows for the four outcomes of interest, respondents who identify with the left exhibit higher levels of support than those who identify as rightist, and this difference between the two groups is statistically significant.

Figure 2: Average value of each Outcome of Interest by Ideology for the Control Group



In this context in which the baseline support is high, the treatment could have a lower effect in respondent's support. However, as figure 3 shows, the effect of positive externalities on right-leaning respondents' support for public works expansion and their willingness to increase taxation for that purpose is high. As expected in H2, right-leaning respondents show higher support for the expansion of public works investment when externalities related to economic growth become salient compared to when no externality is present. On average, the salience of the externality results in an increase of more than one point on a scale from 1 to 5: 1.22 in the city and 1 point in their own district. The effect of economic productivity externalities on these outcomes remains significant when compared to social inclusion externalities. As anticipated in H2b, right-leaning respondents show an average increase of 1.08 and 0.94 points on the scale for the expansion of public works investment in the city and their own district when externalities related to economic growth become salient, compared to social inclusion externalities.

Additionally, as expected in H3, right-leaning respondents are more inclined to support an increase in taxation for the expansion of public works investment when externalities related to economic growth become salient compared to when no externality is present. The average effect is 1.12 points in the city and 0.67 points in their own district. When comparing the salience of economic growth externalities with that of social inclusion, the effect remains significant among right-leaning respondents, who, on average, increase their support for an increase in taxation for the expansion of public works investment in the city by 0.57 points and by 0.34 points in their own district (in line with H3b expectations).

Figure 3: The Effect of Positive Externalities on each Outcome of Interest among right-leaning citizens

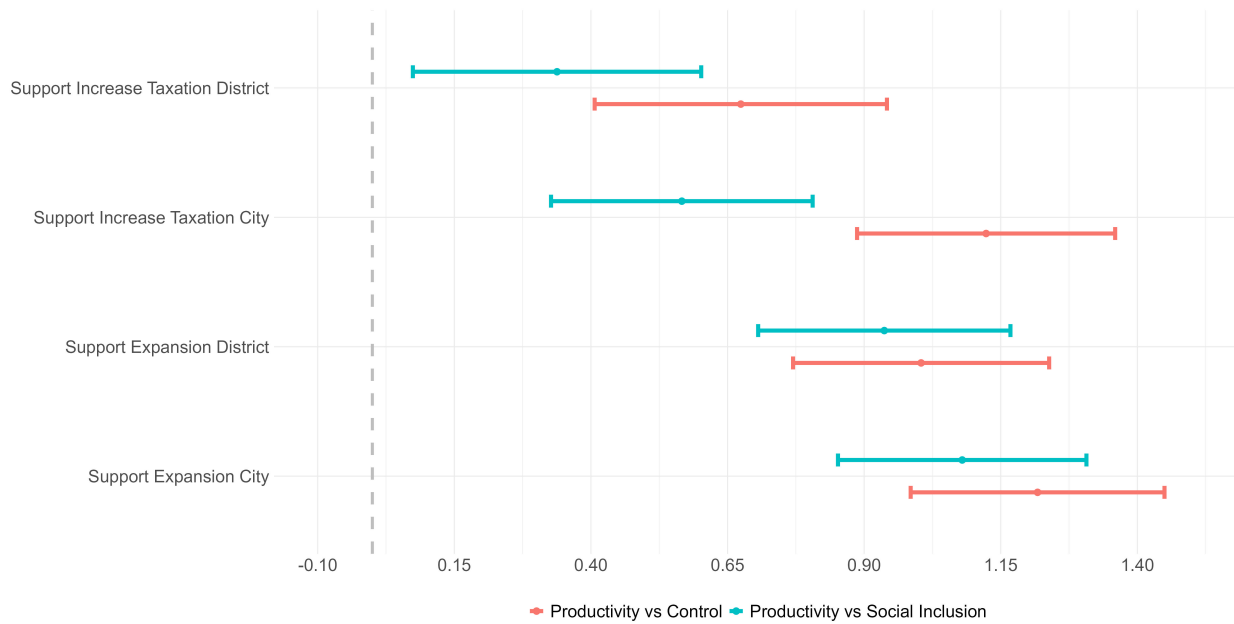
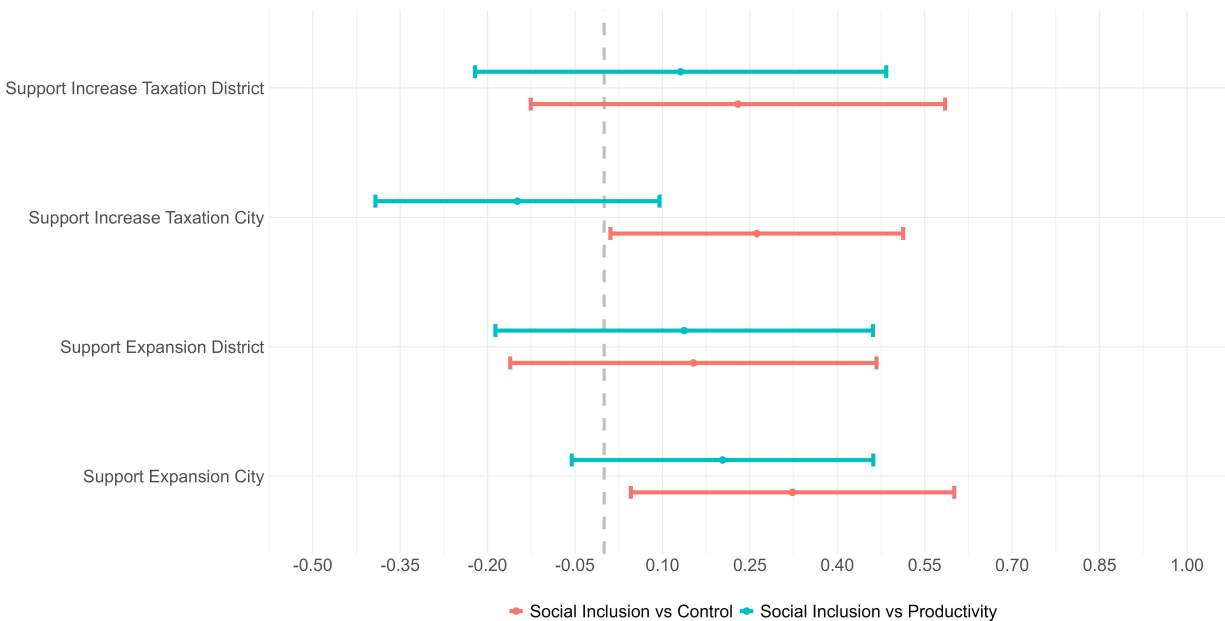


Figure 4 illustrates the results for left-leaning respondents. As anticipated by H2a, they show an increase in support for public works investment in the city when positive externalities related to social inclusion become salient (compared to the absence of externalities). However, the magnitude of the coefficient is much moderate for leftist than for rightist (0.32 point in the scale 1-5). Moreover, as expected in H3, left-leaning respondents are more inclined to support an increase in taxation for the expansion of public works investment in the city (with an average effect of 0.26 points). Nevertheless, I do not find support for these effects in their own district, nor when comparing to economic growth externalities. This may be due to ceiling effects, as shown by the high levels of baseline support in Figure 2.

Figure 4: The Effect of Positive Externalities on each Outcome of Interest among Left-Leaning citizens



To sum up, social policies that demonstrate positive externalities contribute to increasing support for the expansion of these policies among the middle and upper classes. This population not only supports expanding these policies, but also shows greater willingness to pay higher taxes to fund them. This pattern is observed not only among middle and upper class left-leaning citizens, who are generally more associated with supporting state interventions, but also among right-leaning ones when the externalities highlighted are related to economic growth rather than social inclusion.

Robustness Checks

The results presented above include respondents across the ideological spectrum, including those closer to the center rather than extreme positions. To assess whether my argument holds only for those positioned at the ideological poles, I rerun the analysis using respondents who self-identify with positions 1–3 and 7–10. Tables E.6–Tables E.10 in the Appendix present the results, which are consistent with those in the previous section. Additionally, I rerun the analysis for those closer to the center (respondents who self-position between 4 and 6 on the scale), and, although the sample is small and power might be limited, most of the results remain consistent with those presented above (see tables E.11–tables E.15 in the appendix).

Furthermore, I assess whether respondents who acknowledge paying the property tax involved in the experiment (ABL) respond differently to the treatments. Although almost every household in Buenos Aires City is expected to

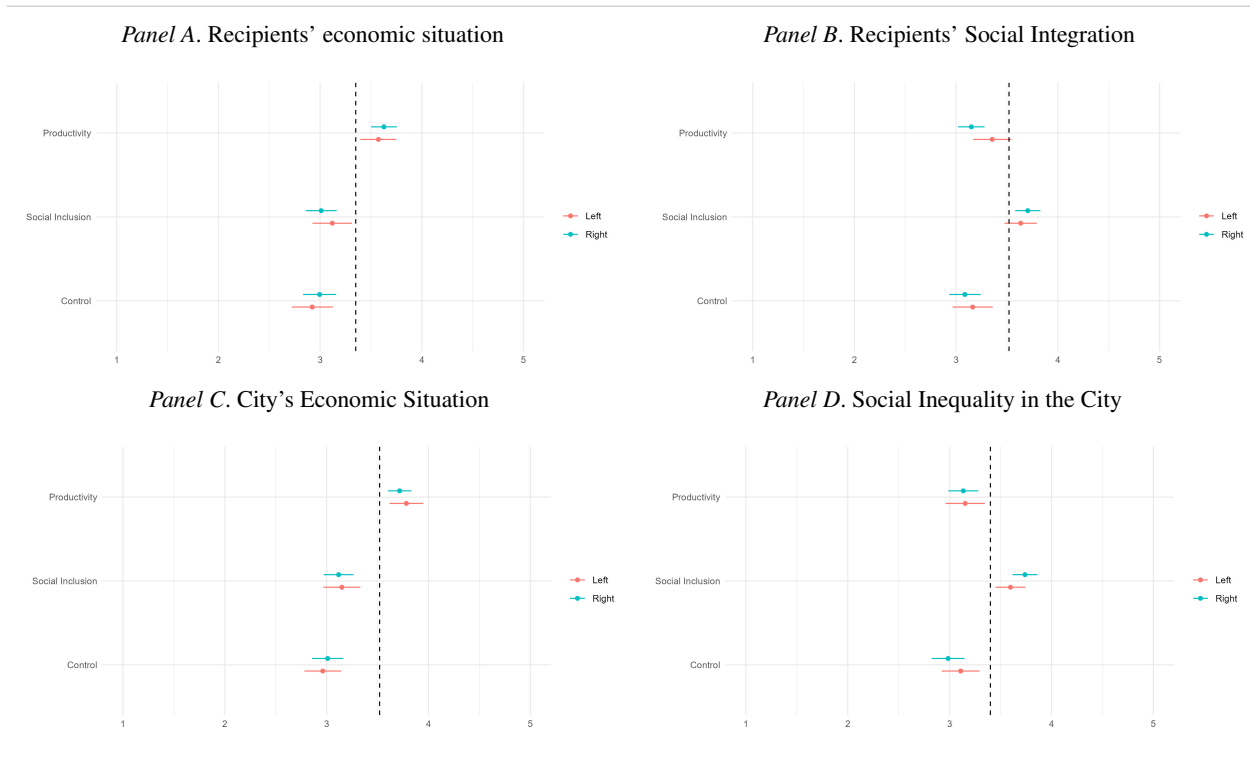
pay this tax—especially those belonging to higher socioeconomic strata—it is possible that respondents who do not acknowledge paying it behave differently. Tables E.21-Tables E.25 in the Appendix present the results, which show that there are no heterogeneous treatment effects among respondents who acknowledge paying ABL. This implies that the consequences of a potential tax increase would affect these respondents, who still support the measure.

Similarly, I examine whether respondents who live in districts that contain informal settlements react differently to the treatment, but I do not find support for this (see Tables E.16-E.20 in the Appendix). This may be due to the fact that citizens in Buenos Aires do not necessarily live and work in the same district, and commuting is quite widespread. As a result, people often spend time in more than one district, which could make them more inclined to support the expansion of public investment, even if it is not taking place in their own district.

Finally, it is worth noting that I included a manipulation check in the experiment. After the vignette, I asked respondents whether the program for upgrading informal settlements in Buenos Aires City led to improvements in four different indicators: (a) recipients' economic situation, (b) recipients' social integration, (c) the city's economic situation, and (d) the levels of social inequality in the city. While I expected those exposed to the social integration vignette to report higher values for b and d, I anticipated that those who saw the economic productivity vignette would express higher preferences for a and c. In this sense, the first two outcomes relate to the consequences of the policy for beneficiaries, while the last two pertain to the entire city.

Respondents across the ideological spectrum who were exposed to the social inclusion vignette reported higher values for social integration and social inequality, whereas those exposed to the productivity vignette reported higher values for the economic situation indicators. As Figure 5, panels a and c show, respondents exposed to the productivity vignette believed that the program significantly improved recipients' economic situation and the city's economic level more than those assigned to the other condition, with virtually no difference between right- and left-leaning respondents. Similarly, as Figure 5, panels b and d show, respondents exposed to the social inclusion vignette believed that the program significantly improved recipients' social inclusion and the city's inequality levels more than those in the other condition, with no difference between the right and the left.

Figure 5: Manipulation Checks



Discussion and Conclusion

This study highlights the potential for leveraging positive externalities to build cross-class coalitions in support of public investment policies benefiting vulnerable populations. By focusing on the case of housing policy in Buenos Aires City, the findings demonstrate that middle- and upper-class citizens, including those with right-leaning ideologies, can support increased taxation to fund such policies when externalities align with their ideological predisposition. Right-leaning individuals respond particularly to economic growth externalities, while left-leaning individuals are less sensitive to the type of externality and tend to support—and be willing to contribute to—these policies as externalities become more salient. The results also emphasize that citizens express a genuine willingness to pay higher taxes when policies are framed to resonate with their ideological values. These dynamics underscore the power of ideological alignment in framing public policies to garner broader support.

Nevertheless, mechanisms beyond the alignment of externalities could be driving these results and warrant closer analysis. It is possible that middle- and upper-class citizens support the expansion of social investment for the poor not because of positive externalities, but because they genuinely want the poor to be better off (Sirin et al., 2016; Mo and Conn, 2018). If this were the case, we would expect those who interact with beneficiaries of housing programs in informal settlements to show a stronger predisposition to support such policies. However, the evidence does not

indicate heterogeneous treatment effects among respondents who knew a program beneficiary. Notably, among the 11% of respondents who did know a beneficiary, nearly 60% perceived the program as somewhat helpful in improving economic conditions and social integration. Given this, and considering that the effect of positive externalities aligned with respondents' ideology is stronger and statistically significant across all four outcomes of interest, such alignment appears to have greater potential to foster the formation of cross-class coalitions for public investment.

This article provides critical insights into overcoming the traditional barriers posed by the unequal reliance on public investment among different social classes. Moreover, it suggests that policymakers can enhance support for redistributive investments by tailoring communication strategies to emphasize positive externalities that appeal to specific ideological groups. While communication segmentation can be challenging, there is evidence that parties in developing countries such as Uruguay and Chile establish segmented and harmonized linkages to distinct electoral constituencies (Luna, 2014).

Finally, there are at least two nuances to my argument that should be taken into consideration. First, the evidence shows that citizens are more willing to support the expansion of policies targeting the poor across the entire city rather than those specifically benefiting residents of their own district, although this difference is not statistically significant. A possible explanation for this preference is that, while they recognize and support the positive externalities of the policy, they prefer the integration of lower-income classes to occur in districts other than their own. This may stem from concerns about negatively altering the status quo in their district. Testimonies provided by former officials interviewed offer evidence supporting this interpretation. For example, one of them mentioned *"When we began visiting the neighborhoods and holding meetings with residents of the districts, there was some resistance to investing in informal settlements. In some cases, this was due to the prejudice that their inhabitants did not deserve it, but in most cases, the predominant concern was about the potential consequences for the surrounding areas"*. In this sense, the main concern was how the integration of the slum with the rest of the neighborhood would take place. In most cases, this fear dissipated after the program was implemented, but some interviewees mentioned that *"the opening of streets has made it easier for outsiders to access the villa in search of drugs, increasing drug trafficking in the area"*.

Second, it is worth noting that support from middle- and upper-class citizens may erode in the presence of negative externalities. Although this article focuses on the effect of positive externalities on their willingness to fund public housing, there is some evidence suggesting that in districts experiencing higher rates of robbery, the salience of externalities—whether related to social inclusion or economic productivity—has a diminished impact on support for the expansion of these programs compared to districts with lower crime rates (see Figures F.2 and F.3 in the Appendix). More notably, citizens living in high-crime districts react negatively to social inclusion frames, and in areas where robbery rates have increased significantly over the past year, the effect of the social inclusion treatment on support

for public works programs declines. These findings highlight the importance of accounting for local dynamics and perceptions of risk when designing and communicating public investment policies. Future research should further explore the trade-offs between positive and negative externalities in shaping support for redistribution.

While this research provides robust evidence of the role of positive externalities in shaping public opinion, it also raises questions that warrant further exploration. Future studies could investigate how these findings generalize to other policy areas, such as health and transportation, or to other urban and national contexts with varying levels of economic inequality and institutional capacity. Additionally, examining the long-term effects of externality framing on public opinion and actual policy implementation would deepen our understanding of how to sustain support for redistributive policies over time. Ultimately, this study contributes to the literature on redistribution, public opinion, and policy framing by answering the core question posed in the title—‘what do I get?’—showing that citizens support public investment when positive externalities resonate with their ideological values and interests.

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