

Macro Roundup Article

Headline: [The Effect of Inequality on Redistribution: An Econometric Analysis](#)

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Tweet: Using CPS data from 1991-2013, Boskin, El nahal, and Zhang find that redistribution policy attenuates market income shifts most strongly at the middle-income quintile, consistent with the median voter theory.

Summary: Using CPS data on U.S. state and federal taxes and transfers over 1991-2013, we estimate a regression model that yields the marginal effect of any shift of market income share from one quintile to another on the entire post-tax, post-transfer income distribution. We identify exogenous income distribution changes [via] instruments based on exposure to international trade and commodity price shocks, and national industry demand shocks [the GMM results]. Attenuation denotes the degree to which initial (market) gains and losses are ultimately compensated. Attenuation can be achieved in two ways: by spreading gains and losses to other quintiles (spillovers), or by reversing/blunting the original shift in the market income distribution (cancellation). We find the degree of attenuation of market income shifts initially increases in quintile rank, peaks at the middle quintile, and then falls for higher income quintiles, consistent with median voter political economy theory (Figure 4). We also provide evidence of considerable and systematic spillover effects on quintiles neither gaining nor losing in the “experiments,” also favoring the middle quintile, what we label the greedy median voter.

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