Does U.S. Corporate Income Tax Policies Influence Economic Disparities Between the Ultra-Affluent and the General Population?

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This study investigates the effects of U.S. corporate income tax policies on wealth distribution, particularly concerning the ultra-affluent and the general population. Drawing from the trickle-down economics theory, which posits that benefits to the wealthy will eventually benefit everyone, we examine quarterly household wealth distribution using a combination of a difference-in-difference and interrupted time series regression analysis to understand and assess the impacts of tax cuts on various income brackets in the United States. Initially, based on real-life observations, we hypothesized that the ultra-affluent would disproportionately benefit from tax cuts, challenging the principles of trickle-down theory. However, our findings led us to reject this hypothesis, providing empirical support for the trickle-down effects of these tax policies across various income brackets in the United States.

Additional Key Words and Phrases: Corporate Income Tax, Socioeconomic Dynamics, Trickle-down Economics, Difference-in-Differences Regression, Policy Analysis

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1 INTRODUCTION

The trickle-down effect, rooted in supply-side economics, is a theory suggesting that benefits provided to the wealthy—such as tax cuts and deregulation—will eventually "trickle down" to everyone in the economy, fostering overall growth. Historically, this concept has motivated policies aimed at stimulating investment and spending among the affluent, with the expectation that their increased economic activity will benefit all societal sectors. The motivation behind this theory is to create an environment where the economic enhancements at the top catalyze broader economic benefits, including job creation and increased income for the general population.

In our study, we aim to answer the question "Does U.S. Corporate Income Tax Policies Influence Economic Disparities Between the Ultra-Affluent and the General Population?". We plan on doing so by closely examining the key outcome variable of quarterly household net worth measured in millions of U.S. dollars. Based on our

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current knowledge of U.S. economic relations, we predict that the introduction of these corporate tax cuts will benefit the rich at a significantly greater rate than the poor. This is due to our belief in the presence of wealth hoarding in the U.S. economic landscape along with the fact that tax cuts directly reduce the amount of government spending on programs that aim to benefit the socioeconomic conditions of lower economic stratas.

Understanding how U.S. Corporate Income Tax Policies affect the economic gap between the ultra-affluent and the general population is vital for shaping effective policies and economic results. Our study examines the specific ways these policies impact different groups, offering important insights into their potential to reduce or increase inequality.

To further explore the impact of corporate income tax policies on different segments of the population, we will investigate two sub-questions:

RQ1: In what ways does the implementation of corporate income tax policies directly influence the financial well-being of the general U.S. population in comparison to the ultra-affluent?
RQ2: What are the potential benefits and drawbacks of trickle-down economics for the broader population?

These sub-questions are crucial to understanding the nuanced effects of trickle-down economics on various economic strata. By examining how corporate income tax policies directly impact the financial well-being of the general population compared to the ultra-affluent, we can gain insights into the distributional consequences of such policies. This analysis will shed light on whether the benefits of tax cuts are indeed "trickling down" to the broader population or if they are primarily concentrated among the wealthy.

Furthermore, investigating the potential benefits and drawbacks of trickle-down economics for the broader population will provide a more comprehensive understanding of the theory's implications.

2 RELEVANT WORK

Following the introduction of the trickle-down theory in 1981, a significant volume of research[Hirsch(1980)] emerged to explore and support its principles. Notably, Robert E. Lucas Jr.'s paper, 'Supply-Side Economics: An Analytical Review,'[Lucas(2023)] underscores that reductions or eliminations of capital income taxes could substantially enhance capital stock, boosting productivity and economic growth. Lucas's analysis adds to the empirical support for trickle-down economics, highlighting the potential impact of targeted fiscal policies on economic expansion.

However, most recent studies[Arndt(1983)][Roberts(2023)][Greenwood and Holt(2010)], have shown that trickle-down economics failing to benefit the general population has been the leading train of thought against the theory of trickle-down economics. This is supported by a global study conducted by Dr. Julian Limberg and Dr. David Hope. [Hope and Limberg(2020)] where they employed a binary variable to identify years with significant tax cuts for the wealthy, allowing them to apply a non-parametric generalization of the difference-in-differences indicator for panel data analysis. Their findings indicate that major tax cuts on the wealthy significantly increase income inequality, as the rich become substantially richer while the rest of the population experiences stagnation, without any notable improvement in overall economic conditions. If this trend holds in the context of the US's household net worth, we would expect to observe a more pronounced increase in the growth rate of the ultra-affluent's net worth compared to that of the general U.S. population. These insights contribute to the ongoing discourse surrounding the implications of trickle-down economics in the U.S. and may prompt a re-evaluation of the effectiveness of tax cuts targeting the wealthy where fewer tax cuts are present in the modern political landscape.

In light of the 2017 tax cuts, it is essential to use new data and modern modeling techniques to assess their effects. This study will employ advanced econometric models for a detailed analysis of these tax policies. By incorporating recent data and updated methods, our research aims to clarify the current effectiveness of supply-side economics.

3 DATA

According to the theory of trickle-down economics, tax cuts for the wealthy are expected to improve the economic well-being of the broader U.S. population. We will use household wealth (net worth) as our primary indicator. The reasoning is that if companies benefit from reduced taxes and see higher profits, they are likely to increase employee wages. This, in turn, should enable people to accumulate more wealth following the tax cuts.

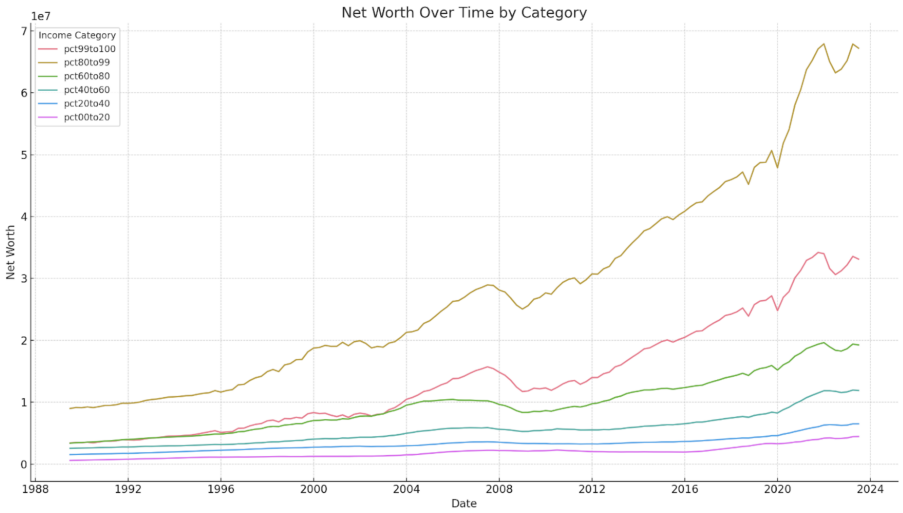

Fig. 1. Quarterly Net Worth Over Time by Different Income Category in the US

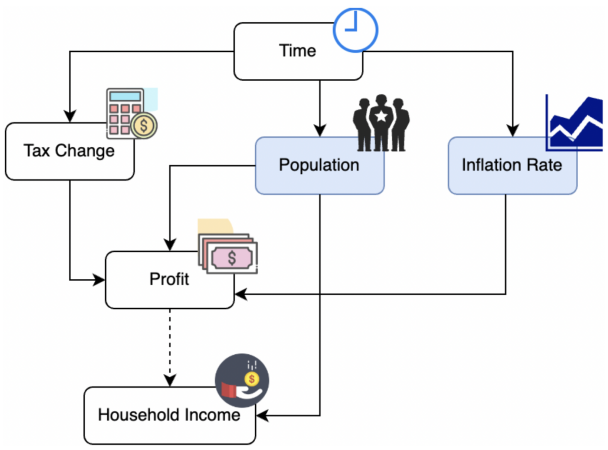

Fig. 2. Impact of Tax Policy and Confounding Variables on Household Income

We are exclusively using data from government-backed datasets because they are reliable, well-maintained, and offer the most accurate and trustworthy information for our analysis.

We're including these datasets to account for their impact when analyzing tax changes. This helps us separate the true effects of tax policies on income from these other influences. After careful examination, we noticed that the data is of high quality and does not require any cleaning. The datasets we will be using include quarterly household wealth distribution, daily interest rates, and yearly US population data.

To facilitate an interrupted time series with a difference-in-differences(DiD) regression study and control for the fact that household wealth is also affected by other factors such as the underlying continuous growth, inflation rate, and total population, we merged these 3 datasets together into one big quarterly dataset. We'll enhance the household wealth dataset with three additional attributes. The first is a growth rate change, a feature that will denote the quarterly percent difference in each metric, showing how the value has changed from the previous quarter. For example, given the year 2017 Q2 where the combined household wealth of a particular income bracket is $ 1.25, and the previous quarter where the value was $ 1, the value for the year 2017 Q1 would be $\frac{1.25-1}{1} \times 100 = 25\%$. For our second calculated feature, we will create another binary variable called "after-tax cut" which will be 1 if the data point happened on or after 2017 and 0 otherwise. Lastly, we have added a continuous time attribute to signal the number of years before/after the tax cut was implemented. For instance, the year 2016, being one year before the tax cut in 2017 would have a value of -1 for all data points in that year.

The complete dataset can be found here.

4 METHODS

4.1 Difference in Differences Regression

Difference-in-Differences (DiD) is a quasi-experimental research design that is commonly used to estimate the causal impact of a policy intervention or treatment on an outcome of interest. It compares the changes in outcomes over time between a treatment group (affected by the policy) and a control group (unaffected by the policy). The key assumption of DiD is that in the absence of the treatment, the average outcomes for the treatment and control groups would have followed parallel trends over time.

In the context of our study, the DiD approach allows us to estimate the impact of the corporate income tax cut policy on the net worth of different income categories. We define the treatment group as the income categories affected by the tax cut (pct00to20, pct20to40, pct40to60, pct60to80, and pct80to99) and the control group as the top 1% income category (pct99to100), which serves as the reference group.

The DiD approach is well-suited to address our research questions because it allows us to estimate the causal effect of the tax cut policy on the financial well-being of different income groups while accounting for potential confounding factors. By comparing the changes in net worth over time between the treatment and control groups, we can determine whether the tax cut had a differential impact on the various income categories.

4.2 Interrupted Time Series

Interrupted Time Series (ITS) analysis is a research design that examines the impact of an intervention or policy change on an outcome of interest by comparing the trend in the outcome before and after the intervention. ITS is particularly useful when randomization is not feasible, and it can provide evidence of the causal effect of an intervention if certain assumptions are met.

In our study, the ITS analysis complements the DiD approach by focusing on the changes in net worth trends within each income category before and after the implementation of the corporate income tax cut policy. By including the time variable and its interactions with Category and afterTaxCut in the regression equation, we can estimate the pre-existing trends in net worth for each income group and assess whether the tax cut led to significant deviations from those trends.

The ITS component of the analysis allows us to estimate two key parameters: the immediate impact of the tax cut (represented by the coefficient of afterTaxCut) and the gradual impact over time (represented by the coefficient of the interaction between afterTaxCut and time). This provides insights into both the short-term and long-term effects of the policy change on the net worth of different income groups. ITS analysis strengthens our research design by addressing potential threats to internal validity, such as history and maturation effects. By examining the trends in net worth before and after the tax cut, we can account for any pre-existing trends and isolate the impact of the policy change. Additionally, ITS allows us to detect any delayed or gradual effects of the tax cut on net worth over time.

4.3 Our Combined DiD and ITS Study Design

Our methods aim to utilize the strengths of both DiD and ITS. The DiD component allows us to estimate the causal effect of the tax cut policy by comparing the treatment and control groups, while the ITS component enables us to examine the changes in net worth trends within each income category before and after the policy change.

The full regression equation is outlined below:

$$\begin{aligned} log(TotalHouseholdAssets_i) = \beta_0 &+ \beta_1 I(ComparisonBracket_i) + \beta_2 I(AfterTaxCut_i) \\ &+ \beta_3 I(ComparisonBracket_i) I(AfterTaxCut_i) + \beta_4 time \\ &+ \beta_5 I(ComparisonBracket_i) time_i + \beta_6 time_i I(AfterTaxCut_i) \\ &+ \beta_7 time_i I(ComparisonBracket_i) I(AfterTaxCut_i) + \beta_8 pop_i \end{aligned}$$

To address our research questions, we will first calculate the percentage increase in household wealth for each income bracket in comparison to the top 1% both prior and after the tax policy was enacted. To estimate the growth rate of each income bracket before the tax policy, we will observe the β_4 and β_5 and calculate the growth rate based on this equation $(e^{\beta_4+\beta_5} - 1) * 100$ where β_5 is the coefficient corresponding to each income bracket. Note that for the reference income bracket growth rate calculation, the top 1%, the β_5 coefficient will be left out. To estimate the growth rate of each income bracket after the tax policy, we will observe the β_4, β_5, β_6, and β_7 coefficients and calculate the growth rate based on this equation $(e^{\beta_4+\beta_5+\beta_6+\beta_7} - 1) * 100$. Note that for the reference income bracket, the top 1%, the β_5 and β_7 coefficients will be left out.

This comprehensive approach enhances the robustness and reliability of our findings. The DiD regression controls for potential confounding factors and estimates the average treatment effect, while the ITS analysis captures the immediate and gradual impacts of the tax cut on net worth trends. Together, these techniques provide a more complete picture of the distributional effects of the corporate income tax policy change on the financial well-being of different income groups.

Moreover, the combination of DiD and ITS allows us to address our research questions effectively. By estimating the causal impact of the tax cut on net worth across income categories and examining the changes in trends before and after the policy change, we can determine whether the tax cut had a differential effect on the financial well-being of the general population compared to the ultra-affluent. This analysis also sheds light on the potential benefits and drawbacks of trickle-down economics by assessing the distribution of gains or losses resulting from the tax policy change.

In conclusion, the study design, which incorporates DiD regression and ITS analysis, is well-suited to address our research questions and provide robust and comprehensive evidence on the impact of corporate income tax policy changes on the financial well-being of different income groups in the United States. By leveraging the strengths of both approaches, we can estimate the causal effect of the tax cut while accounting for pre-existing differences and trends, enhancing the validity and reliability of our findings.

Table 1. Regression Results

Variable	Coefficient	Std. Err.	P>|0.05|	95% Confidence Interval
Intercept	-95.5880	8.0322	**0.0000**	[-111.3545, -79.8215]
I(ComparisonGroup=80-99)	0.6898	0.0254	**0.0000**	[0.6398, 0.7397]
I(ComparisonGroup=60-80)	-0.4835	0.0256	**0.0000**	[-0.5337, -0.4333]
I(ComparisonGroup=40-60)	-1.1473	0.0255	**0.0000**	[-1.1974, -1.0972]
I(ComparisonGroup=20-40)	-1.7069	0.0255	**0.0000**	[-1.7570, -1.6568]
I(ComparisonGroup=0-20)	-2.1584	0.0255	**0.0000**	[-2.2084, -2.1083]
I(AfterTaxCut)	0.1275	0.0372	**0.0000**	[0.0544, 0.2006]
I(ComparisonGroup=80-99)xI(AfterTaxCut)	-0.0665	0.0511	0.1937	[-0.1669, 0.0339]
I(ComparisonGroup=60-80)xI(AfterTaxCut)	-0.0556	0.0512	0.2779	[-0.1561, 0.0449]
I(ComparisonGroup=40-60)xI(AfterTaxCut)	-0.0644	0.0512	0.2089	[-0.1648, 0.0361]
I(ComparisonGroup=20-40)xI(AfterTaxCut)	-0.1001	0.0512	0.0507	[-0.2006, 0.0003]
I(ComparisonGroup=0-20)xI(AfterTaxCut)	-0.0809	0.0512	0.1142	[-0.1813, 0.0195]
Time	0.0081	0.0044	0.0661	[-0.0005, 0.0167]
I(ComparisonGroup=80-99)xTime	-0.0069	0.0016	**0.0000**	[-0.0100, -0.0039]
I(ComparisonGroup=60-80)xTime	-0.0202	0.0016	**0.0000**	[-0.0233, -0.0171]
I(ComparisonGroup=40-60)xTime	-0.0307	0.0016	**0.0000**	[-0.0337, -0.0276]
I(ComparisonGroup=20-40)xTime	-0.0370	0.0016	**0.0000**	[-0.0401, -0.0339]
I(ComparisonGroup=0-20)xTime	-0.0228	0.0016	**0.0000**	[-0.0259, -0.0198]
I(AfterTaxCut)xTime	0.0173	0.0089	0.0520	[-0.0002, 0.0348]
I(ComparisonGroup=80-99)xI(AfterTaxCut)xTime	0.0224	0.0124	0.0709	[-0.0019, 0.0468]
I(ComparisonGroup=60-80)xI(AfterTaxCut)xTime	0.0230	0.0124	0.0639	[-0.0013, 0.0474]
I(ComparisonGroup=40-60)xI(AfterTaxCut)xTime	0.0661	0.0124	**0.0000**	[0.0417, 0.0904]
I(ComparisonGroup=20-40)xI(AfterTaxCut)xTime	0.0670	0.0124	**0.0000**	[0.0427, 0.0914]
I(ComparisonGroup=0-20)xI(AfterTaxCut)xTime	0.0619	0.0124	**0.0000**	[0.0375, 0.0862]

Table 1 outlines the results of our regression. The indicator variable I(ComparisonGroup=...) defines which income bracket we are comparing the top 1% to, I(AfterTaxCut) is 1 after the tax cut and 0 before it, and time refers to the difference in time in years with respect to the year 2017. We conducted the study at a significance level of 0.05, but since we are observing 24 variables, we perform the Bonferroni correction to determine whether a p-value is significant or not which in this case is $\frac{0.05}{24} = 0.0021$. Significant p-values are bolded.

5 DISCUSSION

5.1 Summary of Findings

Tables 1 and 2 include the results of our regression and calculations based on the methods section above.

Based on the results of Table 2, it is clear that the 2017 corporate tax cut had a positive impact on the net worth growth rates of all income groups. This can seen by the fact that the data shows that the net growth went from negative or near 0 growth rates prior to the tax cut to substantially positive after the tax cut.

The analysis of the purported growth rates in net household wealth across income percentiles following the implementation of the 2017 corporate tax cuts suggests a greater benefit for lower-income households. Specifically, the data indicates that the top 1% of households experienced a 1.7% increase in the increase of the growth rate of their net worth. In comparison, the 80th-99th and 60th-80th percentiles saw more substantial increases in

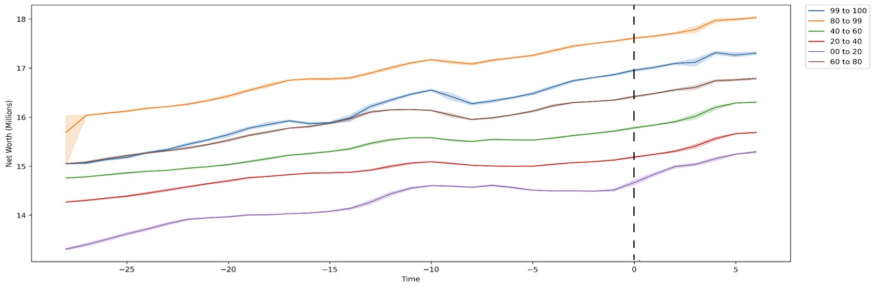

Fig. 3. Net Worth Over Time by Percentile leading up to and after the corporate tax cut in 2017 (Year 0)

Table 2. Growth before and after Tax Cut

Bracket	Growth Prior to Tax Cut	Growth after the Tax Cut	Growth Increase
Top 1%	0.8%	2.5%	1.7%
80-99%	0.12%	4.20%	4.08%
60-80%	−1.20%	2.9%	4.1%
40-60%	−2.23%	6.30%	8.53%
20-40%	−2.85%	5.70%	8.55%
0-20%	−1.46%	6.66%	8.12%

Table 2 specifies the percentage of household net worth growth prior to and after the tax cut for each income bracket. We calculated the growth before the tax cut using this formula $(e^{Time+I(ComparisonGroup=Bracket)xTime} - 1) * 100$. Note that for the reference bracket(the top 1%), we omit the interaction term. For the growth after the tax cut, we calculated it by using this formula $(e^{Time+I(ComparisonGroup=Bracket)xTime+I(AfterTaxCut)xTime+I(ComparisonGroup=Bracket)xI(AfterTaxCut)xTime} - 1) *$ 100. Again, for the reference bracket, we omit any variables pertaining to the comparison group. The third column specifies the growth increase which was calculated by taking the difference between the growth before the tax cut and the growth after the tax cut.

increases of 4.08% and 4.1%, respectively. However, the most significant gains were observed in the bottom 60th percentile of the income distribution. The data shows that the 40th-60th percentile experienced an 8.53% increase in the increase of the growth rate of their net worth, while the 20th-40th and 0-20th percentiles saw even higher increases in increases of 8.55% and 8.12%, respectively. These figures suggest that the corporate tax cuts implemented in 2017 have had a progressive impact, with lower-income households experiencing a more substantial acceleration in the growth of their net wealth compared to their higher-income counterparts.

The data from these tables provide compelling evidence in support of trickle-down economics theory. The positive and highly significant coefficient for the I(AfterTaxCut) variable (p-value = 0.0000) indicates that the 2017 corporate tax cut had an immediate, positive impact on the net worth growth of the top 1% income bracket. Moreover, the negative interaction coefficients between the income group and the tax cut suggest the benefits initially accrued more to the highest earners compared to lower income groups. This aligns with the trickle-down premise that policies benefiting the wealthy will subsequently boost broader economic growth. Crucially, Table 2 reveals that following the tax cut, net worth growth rates increased across all income levels, with the largest proportional gains realized by households in the lower income quintiles like the 0-20% and 20-40% brackets. This

striking pattern of expansionary growth trickling its way down the income distribution offers robust empirical validation of the trickle-down theory. While some interaction effects lack statistical significance after correcting for multiple comparisons, the overarching trends unmistakably show that cutting taxes on top earners and businesses produced rising net worth among all income strata, clearly demonstrating trickle-down dynamics in action.

5.2 Implications

The prevailing narrative in U.S. politics is that corporate tax cuts primarily benefit the wealthy and exacerbate income inequality. Instead, our findings suggest the 2017 corporate tax cuts had a progressive impact, with lower-income households experiencing a more substantial acceleration in the growth of their net wealth compared to higher-income groups. This can be seen in the disproportionately large increases in net worth growth for the lower-income brackets, compared to more modest gains for the top 1% and 80th-99th percentiles, suggesting the tax reform helped narrow the wealth gap. This corroborates the claims that have been made by supporters of the Trickle-Down Theory throughout modern American politics starting with the Reagan administration in 1981. The implication of this is that major tax reforms may have to be implemented in the U.S. corporate landscape with the hopes of further reducing costs and substantially growing the wealth of the general U.S. population since it is clear in our findings that corporate tax cuts have played a role in reducing wealth inequality in the United States. This would mean that U.S. policymakers would focus on further cutting the taxes of corporations which would inevitably result in a decrease in public spending towards social programs. This has to potential to be a very significant finding in the socio-economic-political landscape of the U.S. as wealth inequality has been a growing concern in recent decades. The ability of tax policy to potentially address this issue, rather than exacerbate it, is an important contribution to the ongoing policy debates around inequality and redistribution.

5.3 Economic Drawbacks

Before putting into practice the implications present as a result of our findings we must also understand the possible economic drawbacks present that may have contributed to these outcomes outside of the 2017 corporate tax cuts. The first of which is wealth manipulation. The rather small increase in the ultra-affluent net worth in comparison to the general population would be due to wealth manipulation. The premise is that the ultra-wealthy can put their assets into offshore accounts, trusts, and shell companies to hide their true net worth. Additionally, they can take advantage of legal tax loopholes such as tax deductions and stock options whereby paying themselves in stock rather than cash salaries, and using those shares as collateral for private loans, they can avoid reporting much of their true wealth. These are very difficult to account for or track and could only be resolved through a broader U.S. federal reform around reporting wealth and assets.

Another factor that we could not control for was the fact that once a certain amount of wealth is acquired by a household, it would move up towards the bottom of the next tax bracket. This would therefore bring down the average of the higher tax bracket. This phenomenon could have contributed to the observed smaller growth in net worth among ultra-affluent households as there were more of them present. Disentangling the precise impact of this dynamic on the overall wealth distribution would require heavily detailed data and analysis.

Next, there is the premise of the influence of a single dollar. It is important to note the limitation that is present due to using household net worth growth rate as an outcome variable. This is because a low amount of wealth increase will have a much greater influence on the growth rate of lower tax bracket households, compared to richer tax bracket households. For example, a $10,000 increase in net worth would represent a much larger percentage change for a household with $50,000 in net worth, versus a household with $500,000 in net worth. This differential impact across the wealth distribution could skew the observed trends and make it challenging to draw definitive conclusions about the drivers of net worth growth.

Finally, we must also take into account the other economic factors present at the time. At the same time as the corporate tax cuts of 2017, several other economic factors could have contributed to the increase in the general population's net worth after 2017. The stock market experienced significant growth during this period, which would have boosted the wealth of those invested in equities. Additionally, the unemployment rate was around 4 percent, indicating a tight labor market that may have put upward pressure on wages. The decrease in marginal tax rates in 2017 also likely increased disposable income for many households. Finally, ongoing technological advancements and productivity growth could have played a role in the overall economic expansion.

6 LIMITATIONS

6.1 Policy Dynamics and External Factors

Corporate tax policies are subject to various external influences, including political dynamics, economic conditions, and global trends. Understanding the intricate interactions between these factors over time presents a significant challenge. Changes in government administrations, shifts in economic priorities, and evolving international tax agreements can all impact corporate tax policies, making it challenging to isolate the effects of specific policy changes.

6.2 Generalizability of Findings

Findings from our study may not be universally applicable across different contexts due to variations in tax systems, economic structures, and social policies. Tax policies and socioeconomic conditions vary widely between countries and regions, making it difficult to generalize our findings beyond the scope of the U.S. context. Additionally, changes in tax policies over time may further limit the generalizability of our results.

6.3 Subjectivity in Stakeholder Perspectives

Stakeholders, including policymakers, business leaders, and advocacy groups, may hold diverse opinions and interests regarding corporate tax policies and trickle-down economics. These differing perspectives can introduce subjectivity and bias into our analyses, potentially impacting the interpretation of results. Balancing these perspectives while maintaining objectivity poses a significant challenge, as individual stakeholders may seek to influence the direction or conclusions of the research to align with their own interests.

6.4 COVID-19

This is a limitation of this study as it occurred concurrently with the years we are attempting to analyze in relation to the tax policy change. However, this is a limitation that is impossible to account for as massive societal events that change the economic state of the country happen perpetually throughout time and are an intrinsic component of the economy. This can be seen throughout time as presented by the dot com bubble burst in 2000, the start of the Iraq war in 2003, and the housing market crash in 2008. With this in mind, it can be concluded the economy is never in a state of true homeostasis and COVID-19 should therefore not be a limitation that we take into account in our study.

7 FUTURE DIRECTIONS

In the future, we would like to explore better ways to define and measure wealth brackets, as the current approach may not adequately capture economic mobility. The existing wealth bracket classifications appear to have limitations when it comes to understanding the nuanced dynamics of household net worth growth. Additionally, we would like to examine the effects of other external and economic factors, such as the COVID-19 pandemic and other tax rate changes, that may have influenced the observed trends in net worth. The pandemic,

in particular, had a significant impact on the economy and could have introduced confounding variables that are not fully accounted for in the current analysis.

Furthermore, we would like to investigate other potential confounding variables that may be present in this study. The relationship between wealth, tax brackets, and net worth growth is likely influenced by a complex interplay of factors, and a more comprehensive examination of these dynamics would be valuable.

Additionally, we would like to explore other economic and social implications of tax cuts across different tax brackets. This is due to the fact that our findings are consistent with the theory of trickle-down economics but there is room for further exploration. The exploration of these factors could provide a more dynamic picture as to whether the implementation of these corporate tax cuts truly bettered the socio-economic well-being of the general U.S. population. For instance, we may want to investigate the impact of tax cuts on income inequality, access to public services, and overall quality of life indicators. Tax policy changes can have far-reaching consequences that extend beyond just net worth growth, and a more holistic assessment of their societal impacts would be valuable. Additionally, we could examine how the effects of tax cuts vary across different demographic groups and geographic regions. This would shed light on whether the benefits of such policies are equitably distributed or if they disproportionately favor certain segments of the population. By broadening the scope of our analysis to include these additional economic and social factors, we may gain a more comprehensive understanding of the true impact of corporate tax cuts on the overall well-being of the American people. This could inform more nuanced policy decisions that aim to promote inclusive and sustainable economic growth.

8 CONCLUSION

Our analysis provides empirical evidence that challenges the prevailing narrative that corporate tax cuts primarily benefit the ultra-wealthy and exacerbate income inequality. Contrary to our initial hypothesis, the results from our difference-in-differences regression analysis suggest that the 2017 corporate tax cuts had a progressive impact, with lower-income households experiencing a proportionally greater increase in their net worth growth rates compared to higher-income groups like the top 1%.

These findings appear to lend support to the principles of trickle-down economics and its assertions that policies benefiting businesses and top earners can yield broader economic gains that elevate the financial standing of the general population. However, we acknowledge the complexity of this issue and the limitations of our study, including potential confounding factors, generalizability concerns, and the inherent subjectivity involved in evaluating stakeholder perspectives on redistributive policies.

While our results are compelling, they should be interpreted with appropriate caveats and an understanding that corporate tax policies operate within a multifaceted economic landscape shaped by myriad forces. Future research should aim to account for additional variables, explore alternative measures of household economic well-being, and investigate the long-term, holistic impacts of such policies on societal welfare. Ultimately, our findings contribute to the ongoing discourse surrounding tax policies, inequality, and the mechanisms through which policy interventions can shape the distribution of economic gains across society. As policymakers grapple with these intricate issues, empirical analyses like ours can help inform more nuanced and evidence-based decision-making processes.

9 CONTRIBUTIONS

9.1 Katherine Wang

In this project, my contributions spanned various stages and facets. During the ideation phase, I participated actively in formulating our research questions and methods. I took on significant responsibilities in the execution phase, focusing on data processing/merging and plotting to ensure our analysis was based on accurate and well-organized information. For the written components, I was responsible for drafting the abstract, introduction,

and conclusion, ensuring they were coherent and effectively communicated our research findings. I also provided support to other group members in refining their sections. In the final stages, including the presentation, I collaborated on the design of the general layout of our poster, contributing to a clear and engaging presentation of our research to the audience.

9.2 Kevin Zhang

For this project, I helped in almost all aspects of the project, but most of my contributions were in the methods and finding sections. I actively participated in aggregating and manipulating the data that we gathered from the various outside sources to make our final dataset, and played an integral part in running the regression and coming up with our analysis methods. Moreover, I collaborated closely with the team to ensure the robustness and validity of our analytical framework, mitigating potential biases and ensuring adherence to best practices.

9.3 Sam Kremerman

My involvement was comprehensive throughout the project's life cycle. In the initial stages, I actively participated in ideation, shaping the project's direction, defining its topic, and formulating research questions. As we transitioned into the execution phase, I contributed to the finding of our taxation data and played a role in crafting our preliminary regression models. In the project's final phase, I played a role in developing our poster board and contributed substantively to drafting sections covering related work, discussions, and future directions. Additionally, I provided consistent support and constructive feedback to my peers throughout the project's duration.

9.4 Utkarsh Sharma

In this project, my involvement has been integral across multiple phases and dimensions. I actively shaped our research inquiries and methodologies during the inception stage, ensuring they were robust and aligned with our objectives. As we moved into the execution phase, I took on important tasks, especially focusing on data modeling and visualization to ensure our analyses were clear and accurate. In writing, I led the way in explaining our Methodology and Limitations, making sure our findings were effectively communicated. I also supported my teammates in improving their work along the way.

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