

Distributional Change and the Measurement of Pro-Middle Class Growth: the Case of Israel

**Osnat Peled
Bar-Ilan University**

Abstract

The role of the middle class in fostering economic growth, stabilizing political systems and reducing conflicts is well acknowledged in the literature. Hence, identifying changes in the size of the middle class and the factors that affect them is of great interest to economists and policy makers alike. Yet, despite extensive literature on distributional change, mobility and pro-poor growth, the subject of pro-middle class growth was not thoroughly studied.

The main goal of the proposed research is to construct a new measure for pro-middle class distributional change. The measure should be able to assess such a change in the distribution when using an anonymous and a non-anonymous approach, and thus to distinguish between different aspects of convergence. An illustration using Israeli data will follow. The database for the empirical analysis includes about 25,000 observations from two Israeli censuses, conducted on 1995 and 2008, combined with administrative data from the Israeli tax authority for the years 1995-2009. Merging the two censuses creates a panel that allows us to compare the results of an anonymous analysis with those of a non-anonymous analysis.

The contribution of the proposed research is twofold: first, it will propose a new concept of pro-middle class growth, which as far as I know, did not appear in the literature before. In addition, the use of panel data that are rarely used in Israel will enable comparison between anonymous and non-anonymous analysis, which, as far as I know, was not done in the case of pro-middle class distributional change.