

# Preferences over Equality in the Presence of Costly Income Sorting

Gilat Levy and Ronny Razin

## **Abstract**

We analyze preferences over redistribution in societies in which there are complementarities in income and agents use costly signals to sort themselves according to income. We characterize conditions over income distributions which imply that the median voter will prefer full redistribution to an environment in which he is able to match, at a cost, with agents with higher income. We relate these conditions to income inequality as well as to the properties of increasing or decreasing failure rates, which are commonly used to approximate real income distributions. When we consider only local changes, we illustrate how an “ends against the middle” coalition of voters might arise to increase the exclusiveness of sorting.