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**Inequality and Happiness:  
A Survey**

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# Inequality and Happiness

## A Survey

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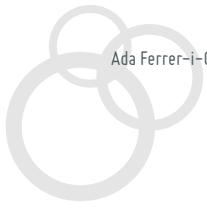
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# Table of contents

|  |           |
|--|-----------|
| <b>ABSTRACT .....</b>  | <b>7</b>  |
| <b>1. INTRODUCTION .....</b>   | <b>9</b>  |
| <b>2. EMPIRICAL APPROACH TO HAPPINESS &amp; INEQUALITY .....</b>         | <b>11</b> |
| 2.1.Measuring happiness: Subjective well-being.....                      | 11        |
| 2.2.Measuring Inequality: Choosing the relevant population subgroup..... | 12        |
| <b>3. WHY AND HOW DOES INEQUALITY AFFECT HAPPINESS? .....</b>            | <b>13</b> |
| 3.1.Self-interest .....  | 13        |
| 3.2.Regard for others .....  | 14        |
| 3.3.Relative concerns.....   | 15        |
| <b>4. EMPIRICAL EVIDENCE .....</b>                                       | <b>17</b> |
| 4.1.Western countries .....  | 17        |
| 4.2.Non-Western Countries .....  | 20        |
| <b>5. CONCLUDING REMARKS.....</b>  | <b>23</b> |
| <b>REFERENCES.....</b>   | <b>25</b> |
| <b>INFORMATION ON THE GINI PROJECT.....</b>                              | <b>31</b> |





# Abstract

In recent years there has been an accumulation of empirical evidence suggesting that individuals dislike inequality (Alesina and Giuliano, 2011 and Dawes et al., 2007). The literature has built upon estimating the degree of this dislike as well as its causes. The use of self-reported measures of satisfaction or well-being as a proxy for utility has been one of the empirical strategies used to this end. In this survey we review the papers that estimate or examine the relationship between inequality and self-reported happiness, and find that inequality reduces happiness in Western societies. The evidence for non-Western societies is more mixed and less reliable. Notwithstanding that, trust in the institutions seems to play an important role in shaping the relationship between income inequality and subjective wellbeing. We conclude with suggestions for further research.







# 1. Introduction

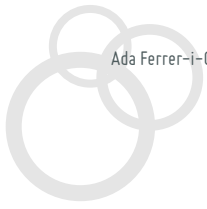
There are many reasons to believe that individuals dislike inequality. Importantly, individuals may have a genuine distaste for inequality (Dawes et al., 2007). Fairness concerns about the nature and processes that lead to perceived or observed disparities may also explain dislike for inequality. Individuals may also dislike it if they (believe that they) could be better off in a more equal situation (Piketty, 1995; Bénabou and Ok, 2001).

Such prior about the possible impact of inequality on happiness or life satisfaction, however, has not been tested directly for representative samples until recently, with the use of self-reported subjective well-being questions included in large-scale surveys. In this literature survey we review the papers that estimate or examine the relationship between inequality and self-reported happiness.

Other than the use of subjective measures, lab experiments are the most prominent way to analyze inequality aversion for small groups of not necessarily representative individuals (see Senik, 2009 for a survey).

There is also a large literature on preferences for redistribution, which is certainly related to individuals' dislike for inequality. However, the preference individuals have for redistribution is not solely determined by their dislike for inequality. Other factors, such as trust, the efficacy of the state, or corruption do play an important role in shaping individuals' preferences for redistribution (Algan, Cahuc, Sangnier 2011; Di Tella and MacCulloch 2009; Alesina and Angeletos 2005). Thus in this overview we will refrain from using preferences for equality and preferences for redistribution as perfect substitutes and will not delve into that literature. That is, the relationship between inequality and happiness captures preferences for equality or inequality aversion, but do not measure the related and much studied concept of preferences for redistribution.

The paper is structured as follows. Section 2 briefly discusses the main methodological issues related to the two key variables: the use of subjective measures as a proxy for utility, on the one hand, and the measurement of inequality, on the other hand. Section 3 sketches the main pathways that explain why inequality is expected to affect individual wellbeing. Section 4 reviews the empirical findings, pointing out the strengths and weaknesses of the empirical studies. Finally, section 5 provides some concluding remarks and raises points for future research.





## 2. Empirical approach to happiness & inequality

The literature on happiness and inequality is based on the premise that individual utility can be proxied by a self-reported happiness measure. By means of this self-reported (subjective) measure, the researcher can then empirically estimate the effect on utility of the inequality existing in the region and time where the individual lives. In other words, researchers estimate an equation in which the dependent variable is self-reported happiness and the independent variables are a set of individual and regional characteristics, including inequality. If individuals were to be inequality averse, the coefficient of inequality on happiness would be negative. With panel data, the inclusion of individual effects in the regression will capture those individual traits that are unobservable and time persistent (e.g. optimism, intelligence, and neuroticism).

### 2.1. Measuring happiness: Subjective well-being

The literature surveyed in this paper uses subjective questions on well-being, also called happiness or life satisfaction, to proxy individuals' utility and to estimate the impact of inequality on individuals' well-being. With subjective questions on well-being, individuals are asked about where on a scale of, e.g., 0 to 10 they are in terms of life satisfaction or happiness. Using the responses to the subjective well-being questions, researchers have examined the relationship between individuals' circumstances (such as income, job situation, and health) and their reported happiness. As an example, we quote the satisfaction question posed to respondents of the German Socio Economic Panel (SOEP): *In conclusion, we would like to ask you about your satisfaction with your life in general. Please answer according to the following scale: 0 means "completely dissatisfied", 10 means "completely satisfied". How satisfied are you with your life, all things considered?*

In order to use the answer to this question as a proxy measure of utility, two main assumptions have to be imposed: (1) Individuals are able and willing to provide a meaningful answer that is a positive monotonic transformation of the theoretical underlying concept we are interested in, i.e. utility; and (2) individuals' answers to the satisfaction questions can be compared in a meaningful way. This means that the answers to the subjective satisfaction question are interpersonal comparable either at the ordinal or cardinal level. There is now enough evidence on the reliability of these measures to be confident that we can measure individuals' well-being in a meaningful way, see Ferrer-i-Carbonell (2011) for a survey.

## 2.2. Measuring Inequality: Choosing the relevant population subgroup

In the empirical literature we are reviewing, inequality is (with very few exceptions) measured by the gini coefficient in the region or country where the individual lives. This literature has so far not addressed two important issues related to the measure of inequality employed in the empirical analysis. First, the literature has not examined the robustness of the results to the different ways of measuring income inequality. Since different inequality measures incorporate different value judgements about the relevance of transfers at different locations of the income distribution, a robustness analysis would help us understand what *type* of inequality individuals are more sensitive to.

Second it has not analysed the relevance of the population subgroup over which inequality is measured. That is, the literature has not yet examined the appealing distinction between “within” and “between” group inequalities. It may well be that individuals have different taste for inequality when judging individuals of the same reference group (“within inequality”) than when examining the society in general. The within inequality is related to individuals relative concerns, this is, the fact that individuals are negatively affected by the income of their reference group. The subjective literature has found that the richer the individuals’ reference group is, the unhappier individuals are. The effect of the between inequality however has not been studied and we can only survey the results of overall inequality on happiness. The between and within group inequality effect could differ if, for example, the weight that individuals assign to effort or to luck as determinants of income in a society differs depending on whether they judge individuals from the same group or not. As a matter of example, suppose that reference groups are defined by education attainment and age, and individuals believe that the education level attained mainly depends on effort, but income disparities amongst individuals of similar age and education are a matter of luck. Then, we should find a negative effect of within inequality but no effect of between inequality on happiness. Alternatively, if people believe that education disparities are mostly due to factors that are beyond individual’s responsibility, say the family they are born into, but income differences of individuals with similar education and age are mostly due to effort, we should find the opposite: a negative effect of between inequality and a nil effect of within inequality.



### 3. Why and how does inequality affect happiness?

Several arguments explain the possible effect of income inequality on happiness. A first set of arguments is grounded on the self-interest of individuals. People (dis)like inequality because they perceive there is a positive risk that they could benefit (lose out) from it. A second view defends that the inequality (dis)like may also be due to individuals genuinely caring for their fellow citizens, beyond the implications that inequality may directly have on their well-being. That is, individuals have social preferences and these shape their taste for equality. Finally, we also examine the role that relative concerns have in determining the direction of the effect of inequality on happiness. Next we outline these pathways.

Before doing so, it is worth noting an important distinction between inequality aversion and preferences for redistribution. We argue that the relationship between inequality and happiness captures preferences for equality or inequality aversion, but do not measure the related and much studied concept of preferences for redistribution. The preference individuals have for redistribution is not solely determined by their dislike for inequality aversion. Other factors, such as trust, the efficacy of the state, or corruption do also play an important role in shaping individuals' preferences for redistribution (Algan, Cahuc, Sangnier 2011; Di Tella and MacCulloch 2009; Alesina and Angeletos 2005). Thus in this overview we will refrain from using preferences for equality and preferences for redistribution as perfect substitutes and will not delve into that literature.<sup>1</sup>

#### 3.1. Self-interest

Individuals' dislike for inequality is partly explained by self-interest motives. Depending on their characteristics and circumstances (e.g. growing up in recession, experiencing a radical political or economic transition), individuals associate the inequality of the income distribution with worse or riskier future outcomes or instead with greater opportunities, and this is what shapes their attitude to inequality. Linking inequality with worse outcomes will lead to low tolerance for inequality, whereas relating it to enhanced opportunities will lead to accepting inequality more easily.

*Inequality is bad for me, so I do not like it:* As long as people view the income distribution as indicative of the distribution of outcomes they face in case of a shock, they may dislike the probability of falling into a worse situation and thus dislike inequality. This would imply that more risk averse individuals will also be more inequality averse. Ferrer-i-Carbonell and Ramos (2009) show that the distaste for inequality does indeed depend on

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<sup>1</sup> See Alesina and Giuliano (2009) for an excellent review of the literature on preferences for redistribution.

risk aversion. In this scenario, the attitudes toward inequality are also influenced by the history of individuals. A history of misfortune may exacerbate individuals' risk aversion, make them pessimistic about their prospects of upward mobility and so more inequality averse (Piketty 1995; Giuliano and Spilimbergo 2009). Similarly, income mobility prospects also matter. Individuals expecting to fall down the income ladder will prefer a more equal rather than more unequal distribution (Bénabou and Ok 2001).

The dislike for inequality may also be instrumental if individuals believe that some features of society, which negatively affect their well-being, are brought about by inequality. Criminal activity is perhaps the first example that comes to mind. We expect those who are more likely to be victims of criminal activities to have a stronger dislike for inequality, *ceteris paribus*. Note that such a dislike does not come from a genuine disapproval of inequality, but from the indirect effect of inequality on crime (i.e. a willingness to improve their well-being through a reduction in crime).

*Inequality is good for me, so I do like it:* Poor people who have little or nothing to lose from an economic shock should like inequality, since it signals the possibility of better outcomes if a shock occurs.<sup>2</sup> This effect may be attenuated by large loss aversion.

Prospects of upward mobility should also be related to larger tolerance for inequality. Individuals who expect to move up the income ladder have better prospects in more unequal distributions and thus will approve of inequality. At an aggregate level, societies experiencing rapid development may initially show tolerance for large inequalities, as this implies better opportunities. However, as good expectations are not realized, such tolerance may turn into dislike (Hirschman and Rothschild, 1973; Grosfeld and Senik, 2010).

### 3.2. Regard for others

There is by now sufficient (mostly experimental) evidence that shows that individuals not only care about themselves but also care about others. A growing body of literature argues that humans are influenced by truly egalitarian preferences (Bergstrom and Lachmann, 1998; Fehr and Schmidt, 1999) and that individuals are happier in more equal environments (Dawes et al., 2007).

Fairness concerns and beliefs are also important. Individuals do not only care about outcomes, but also about how they came about, that is about the fairness of the processes that led to those outcomes. Above and beyond the satisfaction that people directly derive from processes being fair (i.e. procedural utility, Frey, Benz and Stutzer, 2004), their judgment of an outcome tends to be better when the process is perceived as fair. This means that

<sup>2</sup> These should of course be shocks that change the position of individuals in the distribution without changing (much) the structure of the distribution.



preferences for equality also depend on the individual perceptions about the fairness of the income generating processes. Individuals show higher tolerance for inequality when economic success is believed to be more related to individual effort rather than to other elements that people think ought to be unrelated to economic success, such as birth, nepotism, luck or corruption. (Alesina, Di Tella and MacCulloch, 2004). Moreover, the interplay of such beliefs and welfare policies lead to multiple equilibria, where those beliefs are self-fulfilled. For instance, in a society where effort is believed to be the main determinant of income, redistribution and taxation will be limited, effort will be high, the role of luck will be reduced and the social beliefs will be self-fulfilled (Alesina and Angeletos, 2005).

The income inequality coefficient reviewed in this paper captures the relationship between actual inequality and self-reported happiness. However, individual tolerance for inequality depends not on the objectively measured inequality but on the perception about the extent of income inequality. If perceptions are not accurate but such error is evenly distributed, the coefficient will nevertheless not be biased. However if the erroneous perceptions correlate with individual characteristics, then the coefficient will indeed be biased.

We are not aware of any study that systematically examines the extent and origins of individual's misperceptions about income inequality. However, in a related study, Cruces, Pérez Tuglia and Tetaz (2011) examine misperceptions in own ranking in the income distribution and conclude that misperceptions about own position in the income distribution are systematic and are related to the position individuals have in their reference group.

### 3.3. Relative concerns

The subjective happiness literature has empirically tested the importance of relative concerns and almost unequivocally concludes that individuals' position in the income distribution of their reference group affects happiness. If individuals get happier from being richer than their reference group and vice versa, then it is not straightforward to predict the effect of inequality on happiness. Individuals at the top of the income distribution should like (within) inequality to the extent that they experience a positive comparison effect. There are two main arguments on why relative concerns (this is, the importance of the income of the reference group for own happiness) are not in contradiction with the dislike for inequality.

First, relative concerns seem to be asymmetric. This is, individuals get unhappier from being poorer than their reference group but are not affected from being richer (Ferrer-i-Carbonell, 2005). Were this empirical finding corroborated, it would be consistent with inequality dislike (Hopkins, 2008).

Second, and as discussed above, this literature has not distinguished between from within inequality. If individuals have different preferences over those perceived as equals (within inequality) and those perceived as not equals (between inequality), the income distribution of each group will also have a different impact on happiness. We are not aware of any study that has empirically examined this issue.





## 4. Empirical evidence

### 4.1. Western countries

The empirical evidence has shown that inequality, usually measured by the gini coefficient in the region or country where the individual lives, has a negative effect on self-reported well-being or life satisfaction in most western countries, but not in all. This means that other things being equal individuals in more unequal societies report on average a lower score in the satisfaction scale. Thus, even though inequality may also have positive effects on happiness, the aggregated impact is usually estimated to be negative. Examining the importance of inequality for happiness implies to understand that happiness depends not only on individuals' own situation but also on that of their fellow citizens. For example, it has been shown in the literature that the economic situation of others (reference group) and how well individuals perform in comparison (relative) to this reference group has a clear impact on own happiness (Ferrer-i-Carbonell, 2005 and Luttmer, 2005). In here we will focus exclusively on the papers that have estimated the importance of regional income distribution on happiness.

One of the first studies using subjective measures to examine inequality aversion is Morawetz et al. (1977). In this particular study, the authors compare the self-rated happiness of two small Israeli communities that were similar in (almost) all respects except for their income distribution and conclude that individuals living in the most egalitarian village (Isos) were happier than those living in the less egalitarian village (Anisos).

More recently, the use of subjective measures to study inequality aversion has been extended to large representative samples. Besides the literature on happiness, there is an early study by Van Praag, Hagenaaars, and Van Weeren (1982) that uses individuals' evaluation of hypothetical incomes (a measure similar to financial satisfaction) and find empirical evidence showing the importance of inequality, measured in this case by the country's log income variance.

Alesina, Di Tella and MacCulloch (2004) find that while European respondents' life satisfaction is negatively affected by inequality, the effect does not hold for American respondents in general. Besides country differences, Alesina, Di Tella and MacCulloch (2004) also exploit sample heterogeneity and differentiate individuals' dislike for inequality according to their wealth and their political preference (leftist and rightist). While for the Americans, political preferences do not matter, they do for the Europeans, and the negative effect of inequality is driven exclusively by the inequality aversion of leftist preferences. The distinction according to income reveals that for Americans inequality aversion is a 'luxury good'. That is, the richer (top half of the income distribution) are inequality

averse while the poor are unaffected by inequality. For Europe they find opposite results. The authors argue that these country differences correspond to the belief in the US that they are a highly mobile society. If individuals perceive that they live in a mobile society where effort is an important determinant of income, income inequality may be perceived as more fair and individuals may not dislike inequality, as is the case for most Americans. In addition, if Americans believe that they indeed live in a mobile society, poor individuals can only gain from inequality while rich individuals can only lose by moving down the economic ladder. This is one possible explanation why in America rich individuals dislike inequality while the poor do not. The authors defend their argument by pointing to the fact that according to the World Values Survey, 71% of Americans believe that the poor have a chance of escaping from poverty, while in Europe this figure is only 40%.

Blanchflower and Oswald (2003) use the General Social Survey (1976 to 1996) and find that earnings inequality measured at the US state level has a negative but small effect on happiness. These results are not entirely consistent with the ones discussed above, although it is important to notice that the coefficient estimates in Blanchflower and Oswald (2003) are very small in magnitude and that these authors use earnings, and not income, inequality. The smaller aversion to earnings inequality may be due to the widespread belief amongst Americans that effort, as opposed to luck, birth or connexions, is the main determinant of economic advantage (Alesina and Angeletos, 2005). Blanchflower and Oswald (2003) find in the US that the inequality aversion found in their study is completely driven by workers (as opposed to non-workers), individuals under 30, and those with low education levels (less than 13 years of education). In their study, the inequality measure is not the gini coefficient but the ratio of the mean of the 5<sup>th</sup> earnings quintile to the mean of the 1<sup>st</sup>, which is a very unsatisfactory measure as it ignores what happens in the middle of the distribution. It would therefore be interesting to know to what extent the different measures of income (earnings versus total income) and of inequality are responsible for the differing results found between the two US studies.

In Germany, Schwarze and Harpfer (2007) and Ferrer-i-Carbonell and Ramos (2009) find a clear negative impact of inequality on self-reported life satisfaction using various waves of the German SOEP. These two studies use the gini coefficient and are consistent with the results in Alesina, Di Tella and MacCulloch (2004), who found Europeans to be inequality averse. Ferrer-i-Carbonell and Ramos (2009) test one of the hypotheses to explain the dislike for income inequality by examining whether the estimated inequality aversion depends on individual risk attitudes. Their empirical findings indicate that inequality and risk aversion are strongly correlated: more risk averse individuals are also more inequality averse, and vice versa. The estimated relationship between risk attitudes and inequality aversion survives the inclusion of individual characteristics (i.e. income, education, and



gender) that may be correlated with both risk attitudes and inequality aversion. That is, although individual characteristics do play a role in determining inequality aversion, their inclusion does not change the importance of risk attitudes in determining the effect that inequality aversion has on happiness. These authors argue that although risk and inequality aversion are conceptually distinct from each other, both in theoretical and applied work, the dislike for inequality is linked to the curvature of the individual utility function and thus to the degree of risk aversion. In addition, risk aversion has been said to help explain why individuals may dislike inequality, since it influences the weight that individuals give to the risk of having a worse social or economic position in the future.

While the above studies have empirically found a negative association between inequality and happiness, other studies have found the opposite effect. It is important to mention however that all these studies have a very specific approach and some suffer from empirical limitations. Clark (2003) uses only full time employed respondents of the BHPS and finds a positive correlation between individuals' well-being and the reference group income inequality. This contrast with the other studies in the literature in two aspects: (i) the sample selection; and, most importantly, (ii) the fact that it does not look at the (overall) inequality in the region but at the inequality among a very specific group of individuals with whom the respondent "competes". In other words, it estimates the effect of the within group inequality on happiness. Therefore, and in line with the literature on relative concerns, it is not surprising that Clark finds a positive coefficient. This finding could be consistent with the idea sketched above that individuals may like within group inequality but dislike (or be indifferent to) between group inequality, an idea that has not been empirically tested as yet. The sum of the two effects may lead to the often found negative (overall) inequality effect on happiness.

Tomes (1986) finds mixed evidence for Canada. This study suffers from an important data limitation, i.e. the author uses cross-section data and therefore, and in contrast with all evidence mentioned above, he cannot control for individual time persistent effects. The subjective well-being literature has highlighted the sensitivity of the results to the introduction or not of those individual effects. Another difference of this study with the rest of the literature is that instead of using the gini coefficient it bases its results on a very coarse and unsatisfactory measure of inequality, i.e. the income shares of the bottom 40% and top 10% of individuals.

In another study, Sanfey and Teksoz (2007) use data from the World Values survey and find that the effect of income inequality, measured by the gini coefficient on happiness is negative for individuals in transition countries and positive for the non-transition ones. As for Tomes (1986), these authors do not have longitudinal data and therefore cannot control for individual time-invariant effects.

## 4.2. Non-Western Countries

Next, we will survey the empirical literature for non-Western countries. One of the important limitations on non-Western countries is that all studies, except for the Russian paper of Eggers, Gaddy and Graham (2006), do not use panel data. At most, researchers have repeated cross-section data, which allows them to exploit the changes over time of inequality aversion. As argued above, however, the absence of longitudinal data implies that researchers cannot control for individual time persistent effects, which most likely will bias their results.

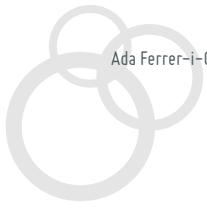
Graham and Felton (2005) use cross-sectional data for 17 Latin American countries included in the *latinobarómetro* mostly from the 2004 wave. These authors exploit the large cross-country variation in income inequality to estimate, among other things, the importance of inequality, measured by the gini coefficient, for happiness in a rather coarse manner. They classify the countries into three groups, according to their gini coefficient: low ( $\leq 0.5$ ), medium ( $(0.5, 0.55]$ ), and high ( $> 0.55$ ) inequality, and find a non monotonous relationship. The unhappiest individuals are found in high inequality countries, those in low inequality countries follow them, while the happiest individuals are those in medium inequality countries. The authors do not provide any explanation for this finding and we cannot relate their results to any of the theoretical arguments on why individuals may like or dislike inequality. An interesting contribution made by this study is the inclusion of education inequality (measured by the Theil index) into the analysis which shows similar conclusions as for income inequality. That is, individuals in high education inequality countries are again the happiest. As the authors acknowledge, besides not being able to control for individual fixed effects, their analysis suffers from another limitation: their approach of grouping the countries in three categories according to their level of income or education inequality (low, medium, and high). With this grouping, the authors cannot exclude the possibility that the countries in each group have something else in common than only their inequality levels. It could well be that it is those common characteristics within the group what makes individuals in those countries happier and unhappier, rather than inequality itself.

The evidence in transition countries is still limited and very challenging. Grosfeld and Senik (2010) find that Poles were rather tolerant towards inequality until 1996, when their dislike for inequality started to increase. The authors suggest that the year break (1996/1997) corresponds with an increasing mistrust in the political system and elites, which would explain the change in (dis)taste for inequality. The authors defend that the inequality at the beginning of the transition period was seen as a sign for increasing opportunities, while after a while people became more sceptical about the legitimacy of sustained inequality. Again, the acceptance of inequality seems to depend on how individuals perceive its legitimacy.

Sanfey and Teksoz (2007) use data from the World Values survey (1999-2002) and find that individuals in higher income inequality (measured by the gini coefficient) transition countries report lower levels of satisfaction. That is, individuals in transition countries are inequality averse. Since the data used in Teksoz (2007) is from 1999-2002, which is after the 1996/1997 break (arguably transition countries will have the break in similar years), his results are consistent with those of Grosfeld and Senik (2010).

Interestingly, the only paper that uses panel data in a transition country (Russia) finds no effect of inequality on the happiness of Russians (Eggers, Gaddy and Graham, 2006).

All in all we can conclude that the fast changing, volatile, and particular situation of those economies in transition hampers obtaining general conclusions about individual preferences.





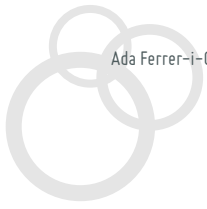
## 5. Concluding remarks

A growing amount of empirical research finds that most individuals dislike inequality. The increasing availability of self-reported satisfaction measures in nationally representative surveys has allowed empirically investigating in a simple and direct way whether inequality matters for individual welfare for an increasing number of countries in different macroeconomic and socio-political conditions. We have reviewed the empirical literature that employs such self-reported satisfaction or well-being as a proxy for utility to examining individuals' dislike or aversion to income inequality.

We distinguish between the evidence for Western and for non-Western countries. In Western societies, the studies that employ reasonable inequality measures and control for individual time-invariant effects, find that income inequality reduces individual wellbeing. Further work, however, is necessary to identify and understand the nature and origins of such a negative relationship between inequality and happiness. Ferrer-i-Carbonell and Ramos (2009) provide evidence about the mediating role of risk aversion, while Alesina, Di Tella and MacCulloch (2004) conjecture about the importance of mobility beliefs to explain the different attitudes to inequality of Americans and Europeans.

The evidence for non-Western countries is mixed and, most importantly, less reliable since there is usually no longitudinal data available, so individual fixed effects cannot be controlled for, which results in biased estimates. The only study which does not suffer from this shortcoming concludes that inequality has no effect on individual wellbeing in Russia. The scarce evidence available for countries in transition provides an interesting story, where trust in the institutions of the country seems to shape individuals' attitudes towards inequality.

Most studies use overall (regional) income inequality. We have argued that there are grounds to believe that income differences which occur among individuals deemed as relevant 'equals' is likely to exert a different effect on individual wellbeing than differences between individuals belonging to different reference groups. There is however not yet any empirical evidence in this respect.







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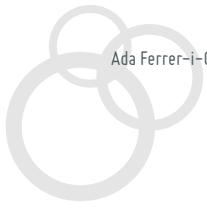
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# Information on the GINI project

## Aims

The core objective of GINI is to deliver important new answers to questions of great interest to European societies: What are the social, cultural and political impacts that increasing inequalities in income, wealth and education may have? For the answers, GINI combines an interdisciplinary analysis that draws on economics, sociology, political science and health studies, with improved methodologies, uniform measurement, wide country coverage, a clear policy dimension and broad dissemination.

Methodologically, GINI aims to:

- exploit differences between and within 29 countries in inequality levels and trends for understanding the impacts and teasing out implications for policy and institutions,
- elaborate on the effects of both individual distributional positions and aggregate inequalities, and
- allow for feedback from impacts to inequality in a two-way causality approach.

The project operates in a framework of policy-oriented debate and international comparisons across all EU countries (except Cyprus and Malta), the USA, Japan, Canada and Australia.

## Inequality Impacts and Analysis

Social impacts of inequality include educational access and achievement, individual employment opportunities and labour market behaviour, household joblessness, living standards and deprivation, family and household formation/breakdown, housing and intergenerational social mobility, individual health and life expectancy, and social cohesion versus polarisation. Underlying long-term trends, the economic cycle and the current financial and economic crisis will be incorporated. Politico-cultural impacts investigated are: Do increasing income/educational inequalities widen cultural and political ‘distances’, alienating people from politics, globalisation and European integration? Do they affect individuals’ participation and general social trust? Is acceptance of inequality and policies of redistribution affected by inequality itself? What effects do political systems (coalitions/winner-takes-all) have? Finally, it focuses on costs and benefits of policies limiting income inequality and its efficiency for mitigating other inequalities (health, housing, education and opportunity), and addresses the question what contributions policy making itself may have made to the growth of inequalities.

## Support and Activities

The project receives EU research support to the amount of Euro 2.7 million. The work will result in four main reports and a final report, some 70 discussion papers and 29 country reports. The start of the project is 1 February 2010 for a three-year period. Detailed information can be found on the website.

[www.gini-research.org](http://www.gini-research.org)





**GINI** GROWING INEQUALITIES' IMPACTS

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