

Top-heavy dispersal of wealth linked to lower life evaluations

April 1 2016, by Tom Fleischman

In their seminal 2010 study, Nobel laureates Daniel Kahneman and Angus Deaton of Princeton demonstrated that higher income improves one's life satisfaction but not one's emotional well-being.

Building off of that research, Cornell's Richard Burkhauser has co-authored a research paper that contends a person's satisfaction drops as the percentage of overall [income](#) held by the very rich in a country rises. However, the authors say, this drop is minimal as long as the average person's income is also rising.

"Yes, it's true that when the top 1 percent is getting a greater share of overall income, this offsets our growing happiness to some degree," he said. "What is a problem is if that share continues to grow while income is falling for the rest of the population."

Burkhauser, the Sarah Gibson Blanding Professor of Policy Analysis in the College of Human Ecology, co-authored the study released in January on two working-paper sites.

Burkhauser notes, for instance, that in the U.S. from around 1970 through 2007, there was an increasing share of income held by the top 1 percent of the population, but this increase did not become a major political issue.

"The good news is, we also had a substantial increase in the income of the average American," he said. "That is, median income increased

substantially, so everybody was better off."

But with the onset of the Great Recession in December 2007, median household income fell over the next five years from a business cycle high of \$57,357 to \$52,605. While it has risen slightly since then, it's still far below its 2007 peak. Hence, Burkhauser said, it is not a surprise that concern over the top 1 percent's income share is a major part of the 2016 election debate.

The study used data collected in the Gallup World Poll, which conducts surveys in more than 150 countries, interviewing approximately 1,000 citizens (age 15 and older) per country. Life evaluation is measured using the Cantril life ladder question: Respondents are asked to place themselves on a ladder or mountain representing [life evaluation](#), with the top step being "10" and the bottom step "0."

For questions regarding positive and negative emotional experience, citizens are asked about their well-being on the day before the survey. Questions include: Did you feel well-rested yesterday? Were you treated with respect? Did you feel physical pain?

One statistical finding worth noting: In terms of overall life evaluation, a 1 percent increase in the share of taxable income held by the top 1 percent has the same negative effect in [life satisfaction](#) as a 1.4 percent rise in the country-level unemployment rate.

However, consistent with the Kahneman and Deaton study, one factor not affected by greater income inequality is an individual's reporting of emotional experiences. These, the researchers suggest, are more closely tied to a person's day-to-day existence and interactions, and less with a person's financial situation and standing relative to others.

More information: Top Incomes and Human Well-being around the

World. <ftp://iza.org/dp9677.pdf>

Provided by Cornell University

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