

Study suggests income inequality pushes people to take greater risks

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(Phys.org)—A trio of researchers, two with the University of North Carolina and the other with the University of Kentucky, has conducted two kinds of experiments with results suggesting that income inequality

in a society can lead those on the bottom to take more risks in hopes of increasing their position. In their paper published in *Proceedings of the National Academy of Sciences*, Keith Payne, Jason Hannay and Jazmin Brown-Iannuzz describe their experiments and why they believe their results indicate that rising inequality in the world today could lead to a range of poor outcomes.

It is no secret that those on the lower end of the economic spectrum would like to move higher, nor is it a secret that the [income inequality](#) gap is growing in many countries across the globe. To learn more about the possible real-world impact of this change the researchers carried out two types of experiments designed to learn more about the behavior of those living below the standard of those at the top.

The first type of experiment consisted of asking online volunteers to play a gambling game. Players were shown what they believed to be the average results of previous players—half of the volunteers were told that the best players earned significantly more than other players, while the other half were told the winnings gap was relatively small. Each of the volunteers was then asked how much they felt they needed to win to feel like they had done well and then were given a chance to play by placing bets where they could win real-world money. The betting options were arranged such that the greater the risk, the bigger the potential payoff.

In studying how the volunteers performed, the researchers found that those who were told that prior players had won a lot more than other players tended to place riskier bets, hopefully leading to bigger rewards—they also generally expressed a higher need to win than the other players.

To learn more about real-world conditions, the researchers studied Google search string data regarding risky behavior and financial gain, such as people searching for information about lottery winning, or other

ways to win money. They found that people who lived in states where the [income gap](#) was the highest tended to conduct many more such searches.

The researchers conclude by suggesting that exposure to high-income lifestyles entices lower-income people to engage in risky behavior in attempting to lift themselves higher.

More information: B. Keith Payne et al. Economic inequality increases risk taking, *Proceedings of the National Academy of Sciences* (2017). [DOI: 10.1073/pnas.1616453114](https://doi.org/10.1073/pnas.1616453114)

Abstract

Rising income inequality is a global trend. Increased income inequality has been associated with higher rates of crime, greater consumer debt, and poorer health outcomes. The mechanisms linking inequality to poor outcomes among individuals are poorly understood. This research tested a behavioral account linking inequality to individual decision making. In three experiments ($n = 811$), we found that higher inequality in the outcomes of an economic game led participants to take greater risks to try to achieve higher outcomes. This effect of unequal distributions on risk taking was driven by upward social comparisons. Next, we estimated economic risk taking in daily life using large-scale data from internet searches. Risk taking was higher in states with greater income inequality, an effect driven by inequality at the upper end of the income distribution. Results suggest that inequality may promote poor outcomes, in part, by increasing risky behavior.

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