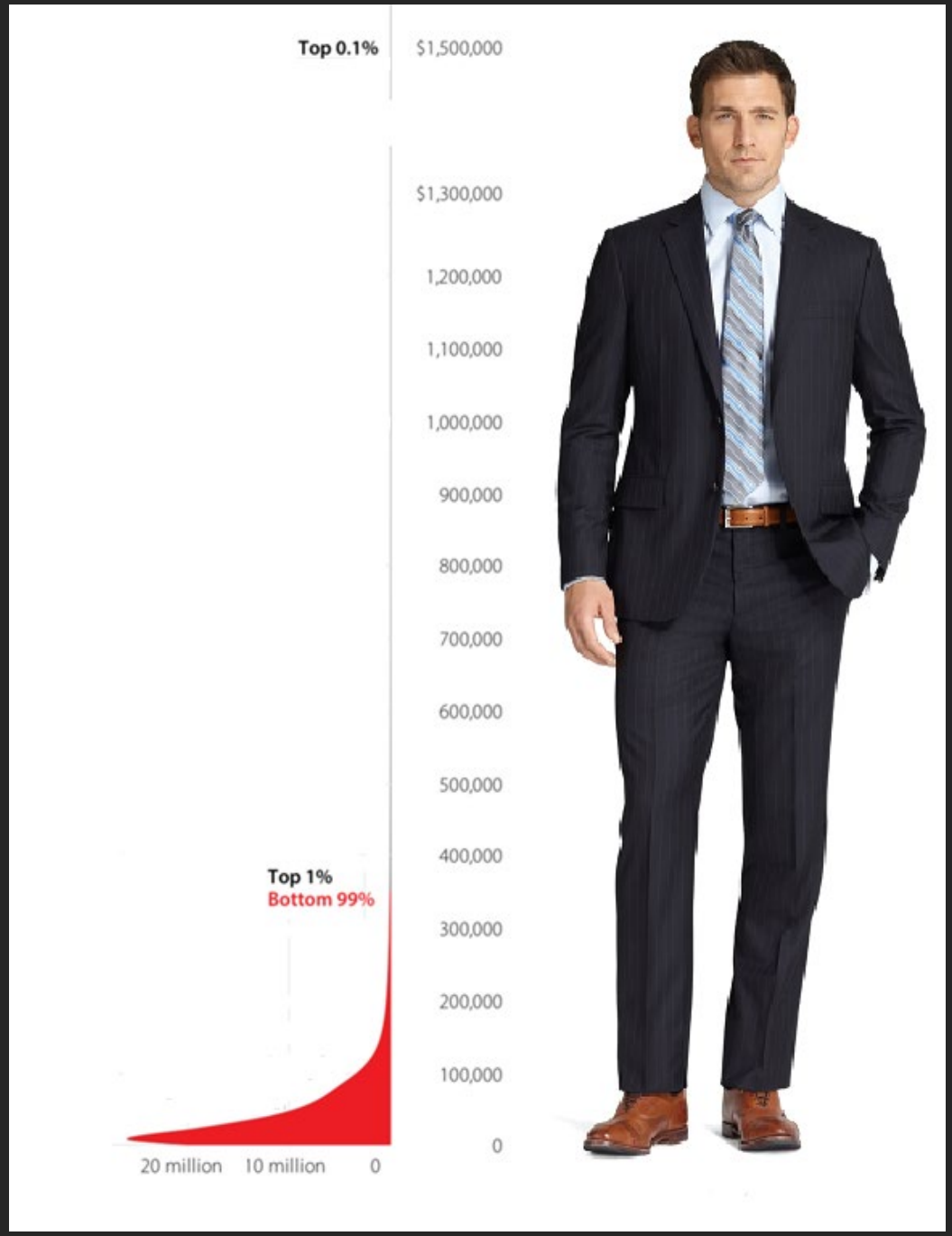
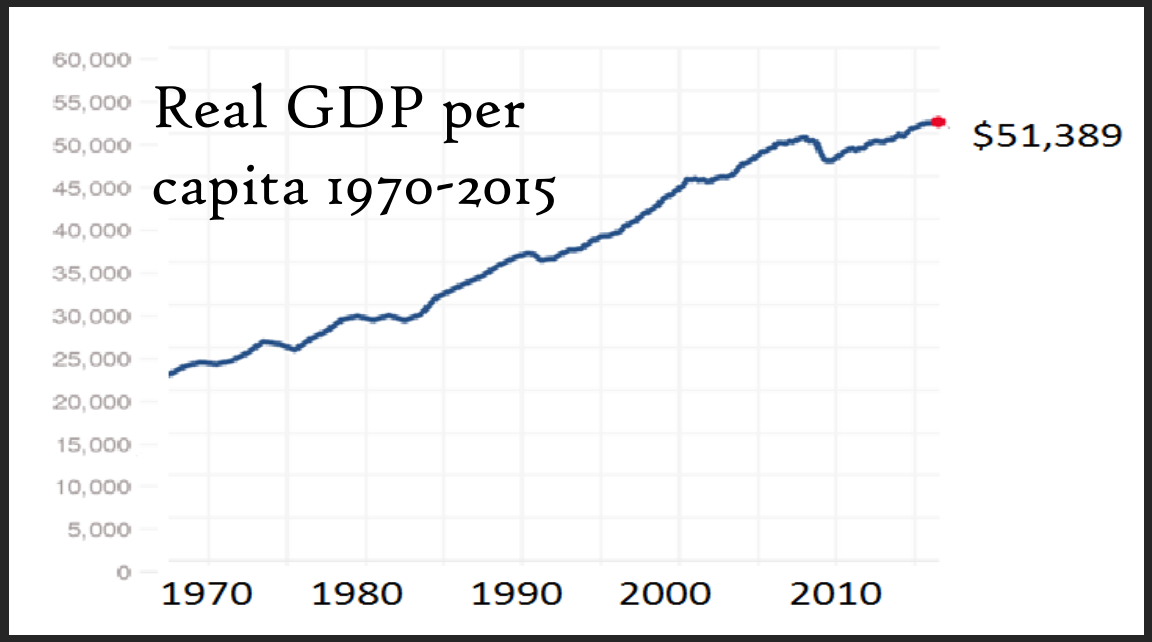
Inequality and Subjective Status

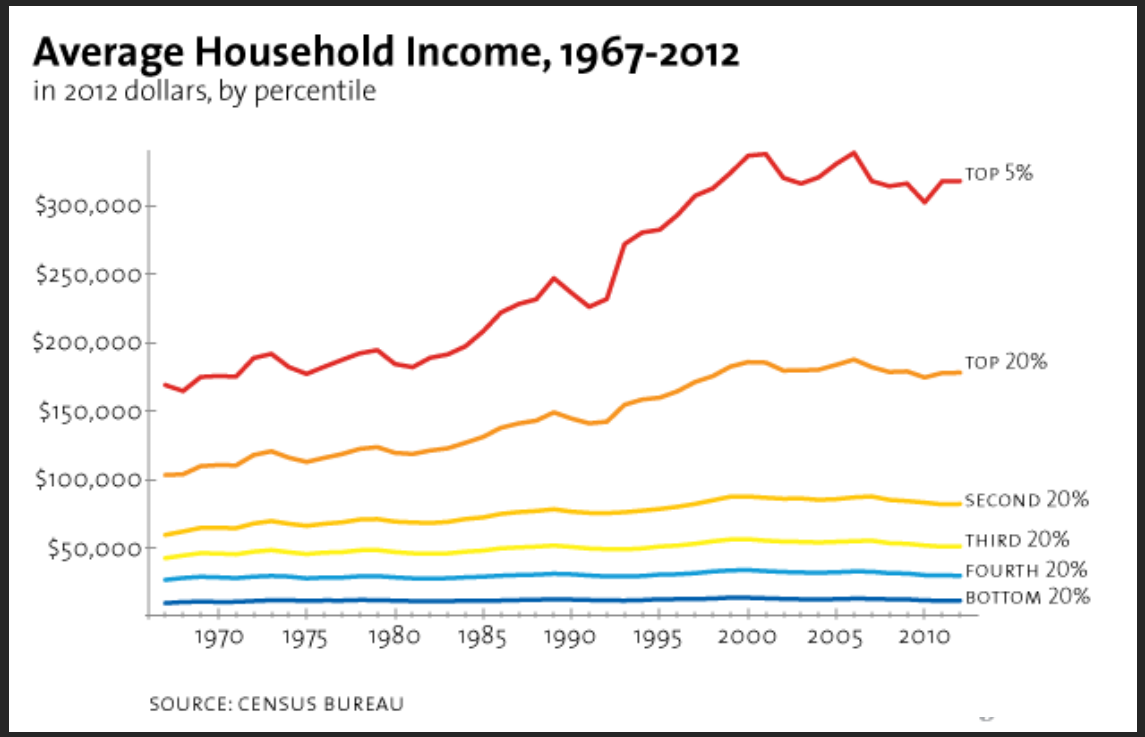
Why economic inequality is more than economics

Keith Payne

UNC Chapel Hill


Top 0.1%
$1,500,000
$1,300,000
1,200,000
1,100,000
1,000,000
900,000
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
Top 1%
Bottom 99%
20 million
10 million
0


Real GDP per capita 1970-2015
$51,389
60,000
55,000
50,000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
1970
1980
1990
2000
2010

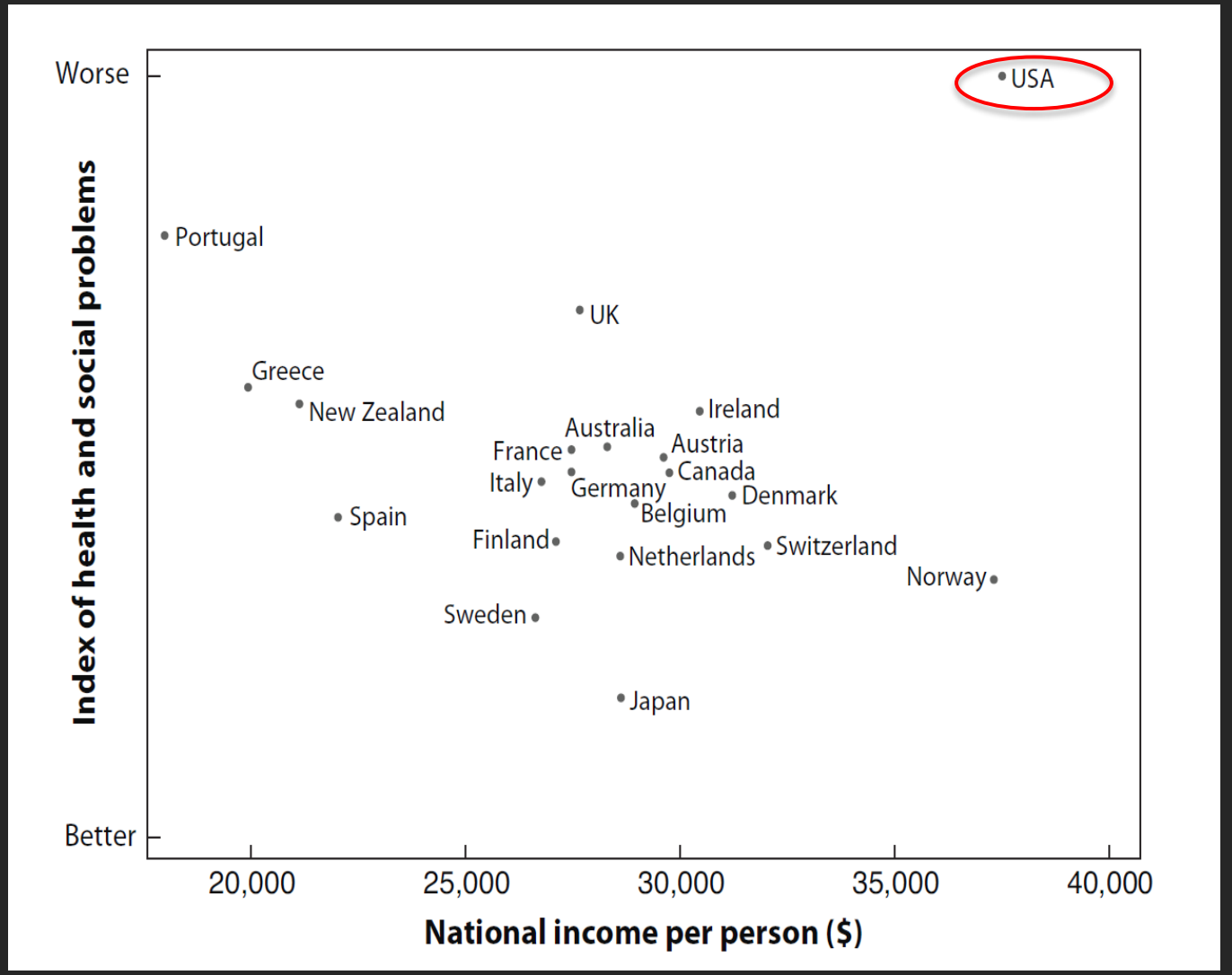

Average Household Income, 1967-2012
in 2012 dollars, by percentile
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
TOP 5%
TOP 20%
SECOND 20%
THIRD 20%
FOURTH 20%
BOTTOM 20%
1970
1975
1980
1985
1990
1995
2000
2005
2010
SOURCE: CENSUS BUREAU

“The problem isn’t that some people have more; it’s that some people don’t have enough.”

- Harry Frankfurt

Social comparisons tie inequality to subjective perceptions of "enough"

Problems:
Mortality
Infant mortality
Math & literacy
Homicides
Imprisonment
Teen births
Trust
Obesity
Mental health
Drug abuse
Social mobility



Wilkinson & Pickett 2009

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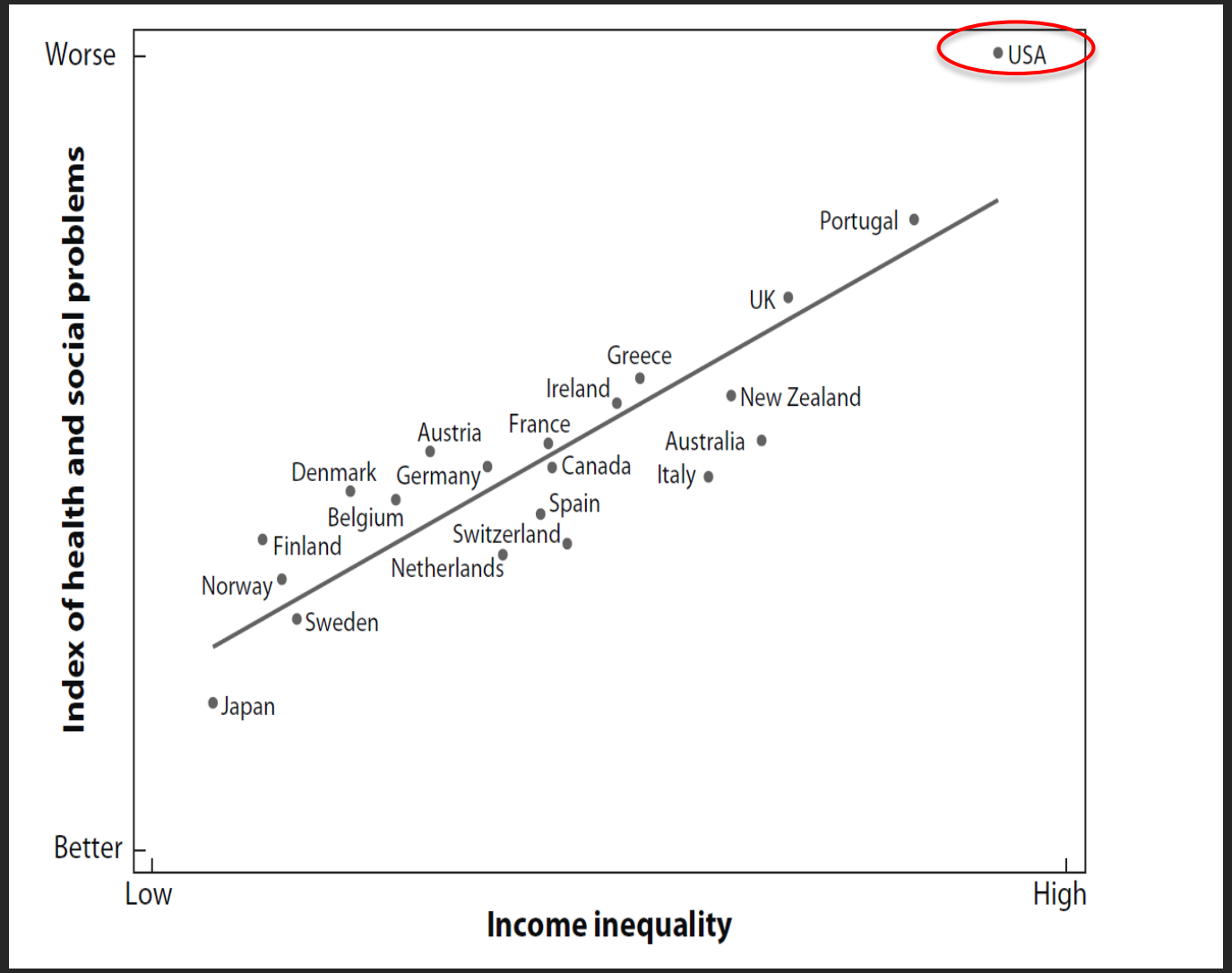


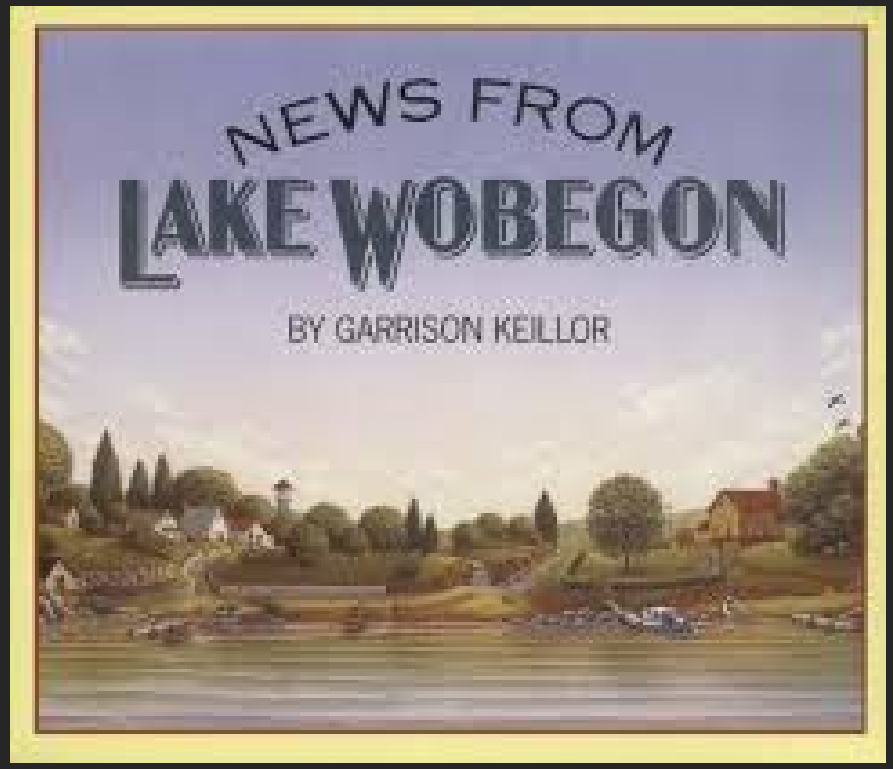
Wilkinson & Pickett 2009

Why does high inequality function like poverty?

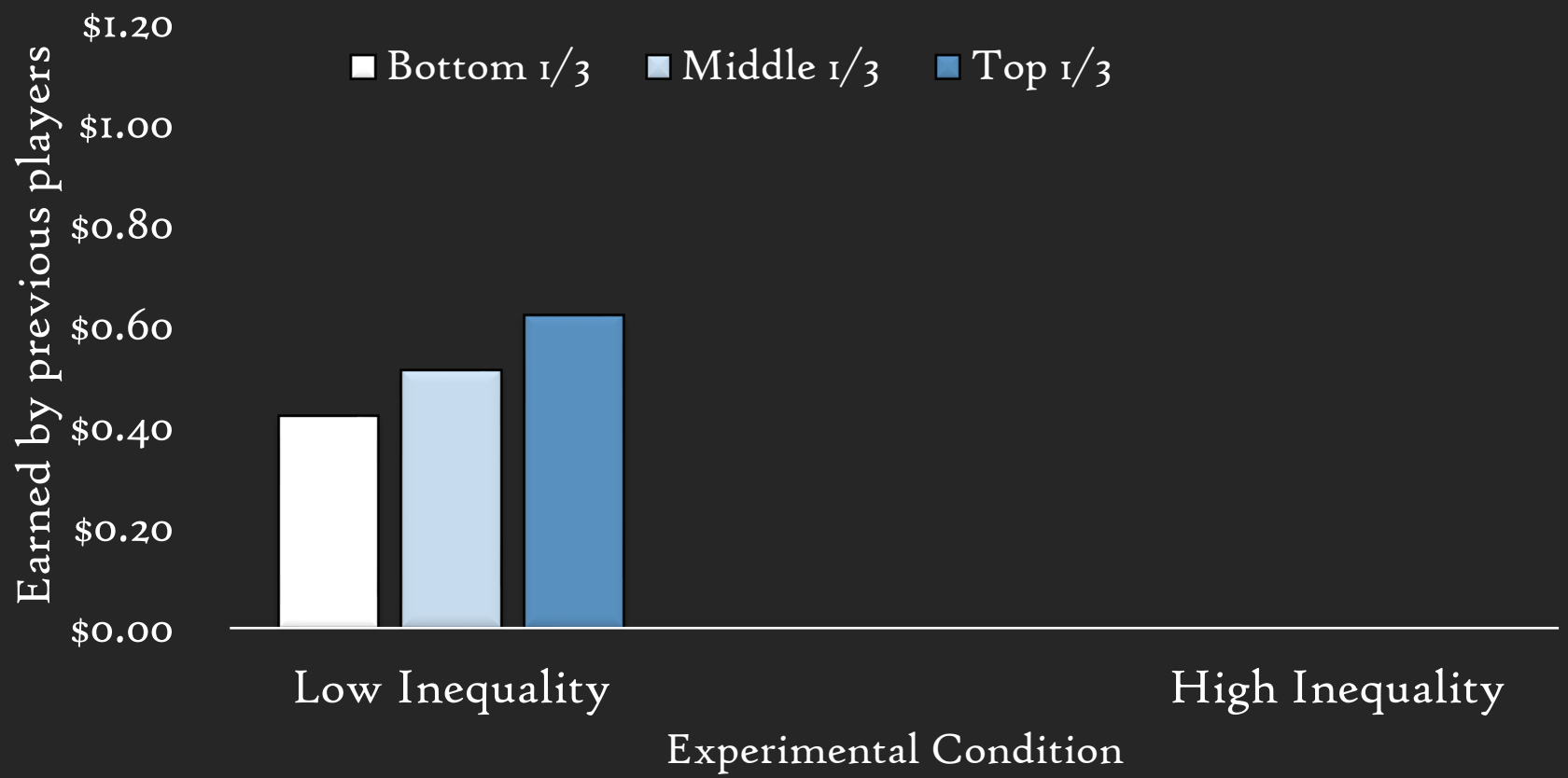
One common thread is risky behavior
(e.g., risky health behaviors, drug use, crime).

Need and risk:
Risk sensitivity theory

Human needs are set by social comparison



We manipulated inequality of outcomes



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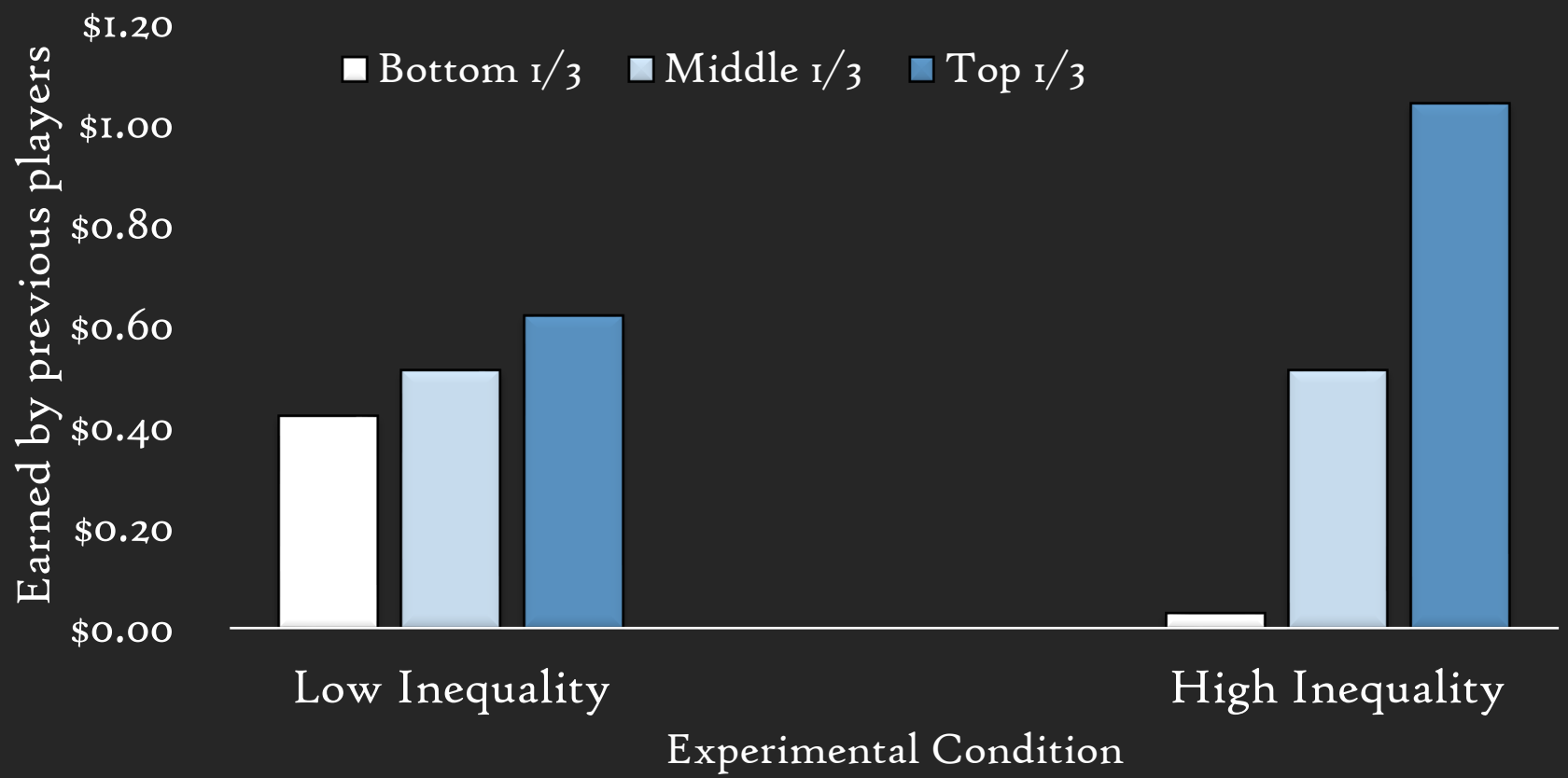
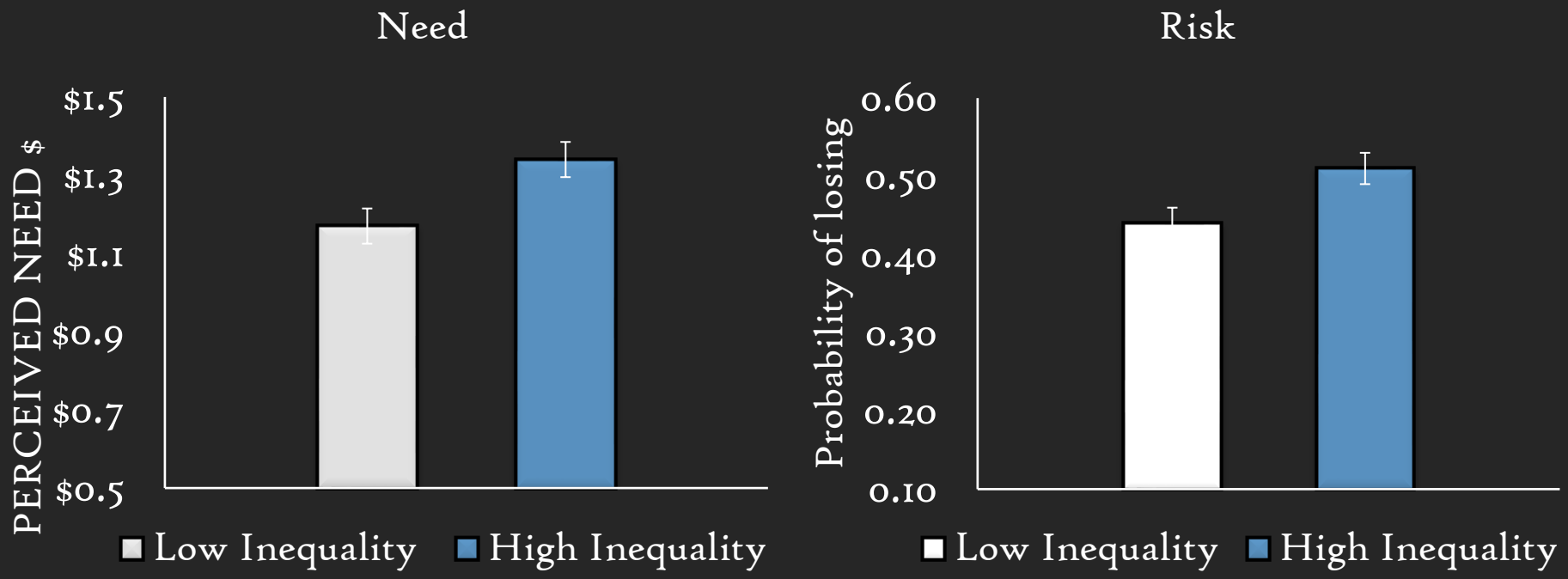


We measured perceived needs and risk behavior

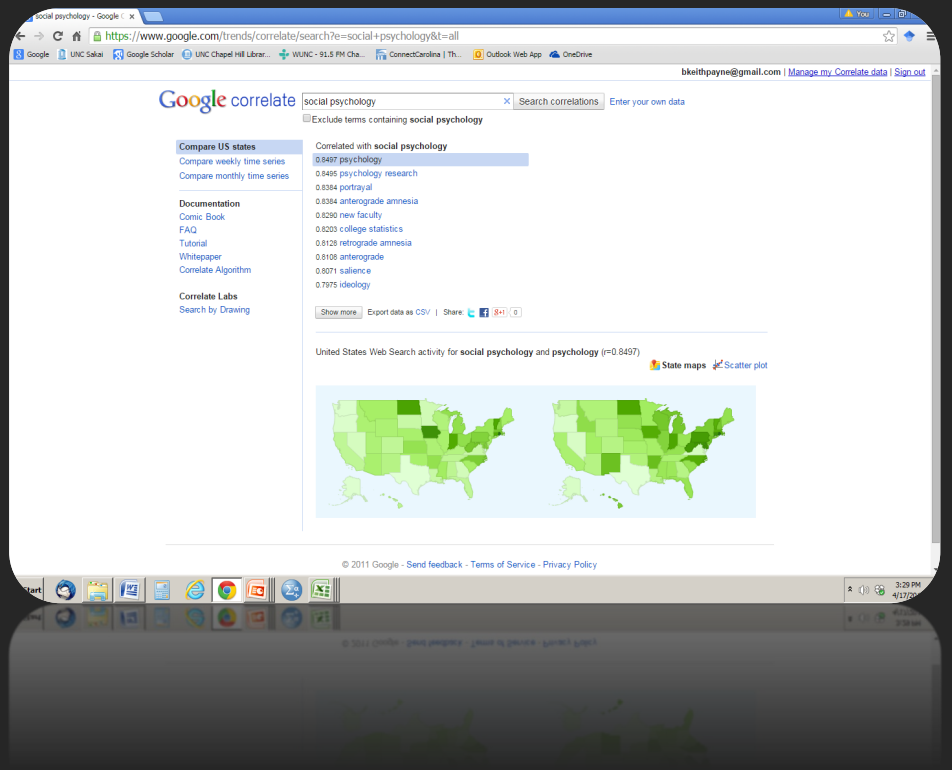
Perceived Need
What is the minimum $ you need to be satisfied?

Risk Taking Gambles
80% Chance of winning $0.25
…
20% Chance of winning $1.00

Inequality and Risky Decisions

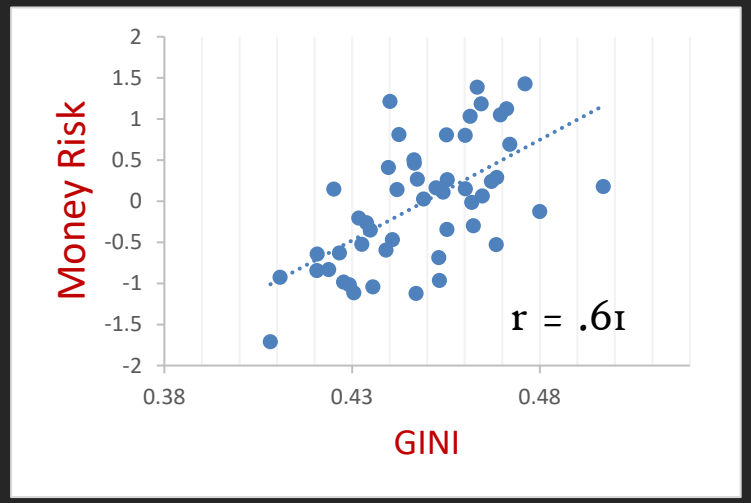


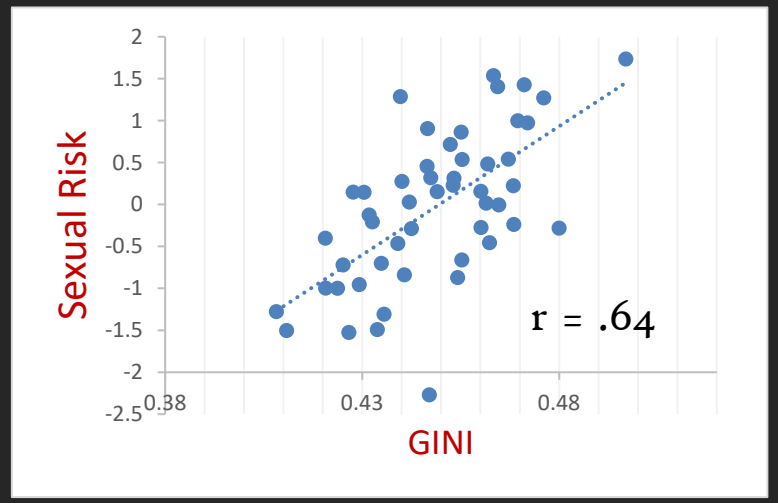
Inequality and Risk in Daily Life

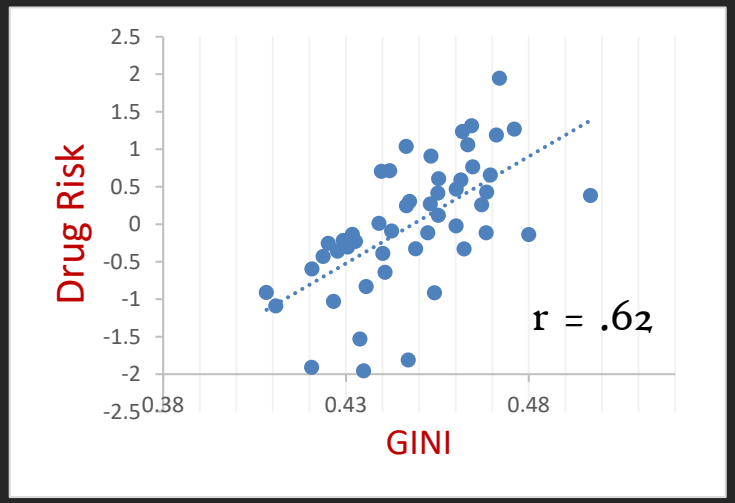


- Financial risk taking
  - "Lottery"
  - "Pay day loan"
- Sexual risk taking
  - "Morning after pill"
  - "STD test"
- Drug & alcohol risk
  - "How to pass a drug test"
  - "How to get rid of a hangover"

Inequality is strongly associated with risky googling across states







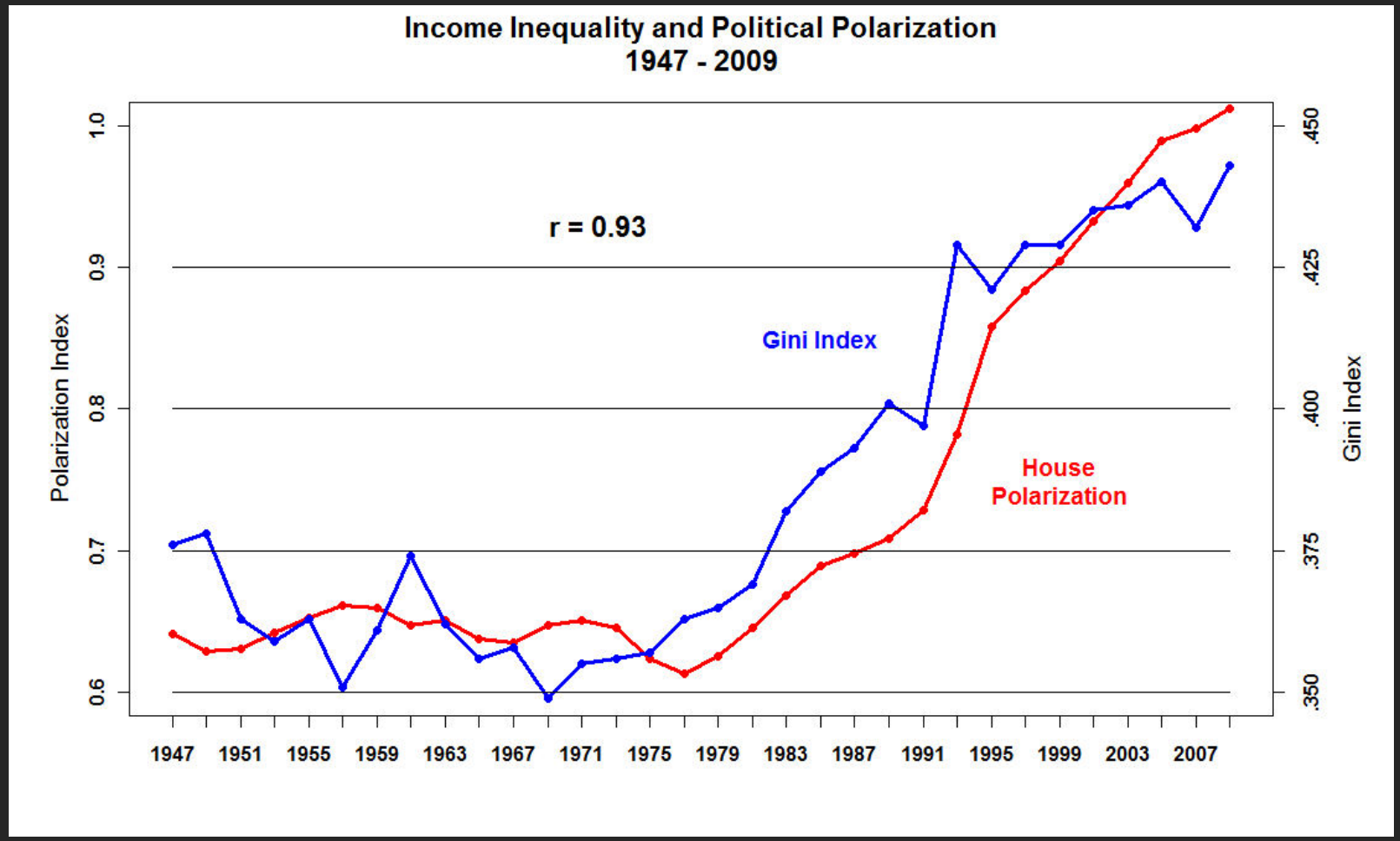
“The problem isn’t that some people have more; it’s that some people don’t have enough.”

- Harry Frankfurt

Psychologically, inequality functions like poverty

If inequality is so harmful why don't people do more about it?

Inequality and political polarization

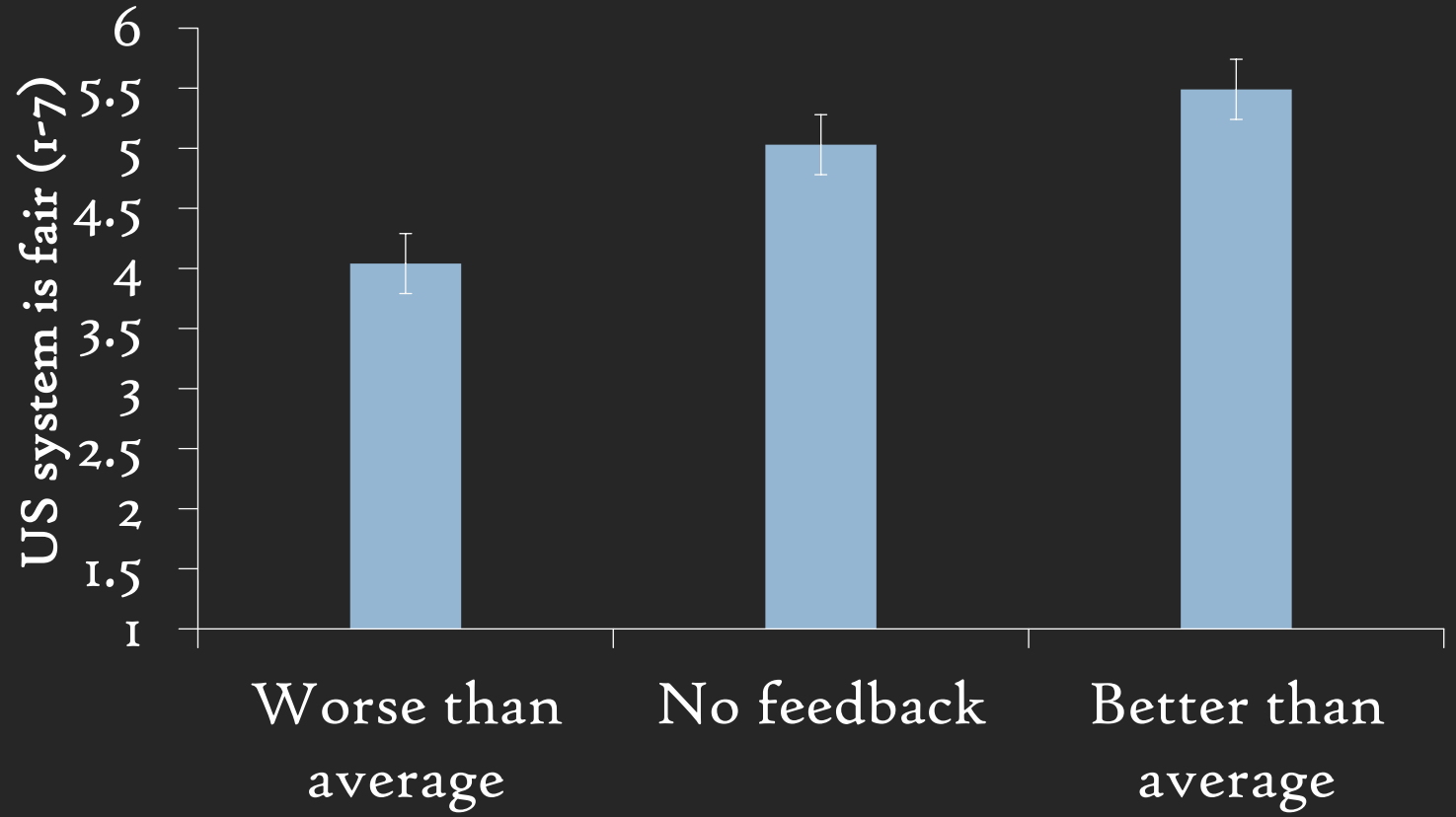


McCarty, Poole, Rosenthal, 2016

Does feeling better or worse than average change political views?

- Subjects played a decision making game to make money. Everyone earned the same but subjects were told that they did better than most, worse than most, or received no feedback.

Is the U.S. system fair and just?



Success is based on talent and hard work.

Cut benefits to the poor.

People who disagree with me are biased and irrational.

People who disagree with me shouldn't get to vote.

Brown-Iannuzzi, Lundberg, Kay, & Payne (2015).