# Inequality and (Un)happiness in America

**Arthur C. Brooks**

Here, a conservative thinker asks us not to redistribute income (through taxation, for example) until we take a harder look at the connection between income inequality and happiness. He sees inequality as a false issue concealing a real one.

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The United States is a rich nation and is getting richer. According to the U.S. Census Bureau, over the decade ending in 2003 the top quintile of earners in America experienced an average inflation-adjusted income increase of 22 percent. But prosperity didn't end with the top earners. The middle quintile saw an average 17 percent real increase, while the bottom quintile enjoyed a 13 percent rise. In the thirty years leading up to 2003, earners in the top quintile saw their real incomes increase by two-thirds, versus a quarter for those in the middle quintile and a fifth among the bottom earners.[1]

This may seem like reason to celebrate — even if money doesn't buy happiness. Yet, some find within these numbers something to regret: the fact that the rich are getting richer much faster than the poor are getting richer. Income inequality in the United States is rising, according to most responsible estimates. For example, in 1973, the average family in the top quintile earned about ten times what the average bottom-quintile family earned. By 2003, this differential had grown to fifteen times. The U.S. Census Bureau measures economic inequality using what is called a Gini coefficient, in which 0 indicates no inequality (all incomes are the same) and 1 is perfect inequality (one person has all the income). Over the past four decades, the American Gini coefficient has increased by nearly a third, from 0.36 in

[1] The figures in this section come from the U.S. Census Historical Income tables. Inflation is neutralized with the chain-weighted price index from the *Statistical Abstract of the United States* (Washington, D.C.: Government Printing Office, various years). While looking at income quintiles is conventional, breaking up income groups using other cut points produces the same conclusions.

1965 to 0.44 in 2005. In European countries, the coefficients generally hover below 0.30, indicating much more economic equality than we see in the United States.[2]

Liberal politicians have placed special emphasis on the fact that economic inequality in America is rising. In particular, North Carolina Senator John Edwards, who rose to prominence when he sought the Democratic nomination for president in 2004 and again in 2008, has based his campaigns almost entirely on the idea that we are "two Americas" — rich America and poor America. In his own words: "Today, under George W. Bush, there are two Americas, not one: One America that does the work, another America that reaps the reward. One America that pays the taxes, another America that gets the tax breaks. One America that will do anything to leave its children a better life, another America that never has to do a thing because its children are already set for life. . . . One America that is struggling to get by, another America that can buy anything it wants, even a Congress and a President."[3]

Edwards must believe that economic inequality is a source of unhappiness to lots of Americans, or he wouldn't use it as his principal campaign theme. Other politicians agree with him. Democratic Senator Barack Obama complained that "the average CEO now earns more in one day than an average worker earns in an entire year." Democratic Senator Hillary Clinton characterized today's economy as "trickle-down economics without the trickle." She declared that a progressive era is at hand because of "rising inequality and rising pessimism in our work force."[4]

5 But it is not just the Democrats who worry about income inequality in America. Indeed, 2008 Republican presidential contender Mike Huckabee has decried the widening gap as strenuously as any liberal. Conservative populists such as Huckabee are as alarmed as any on the left about the vast fortunes earned by the lucky few in America and the unhappiness it supposedly causes for those who remain behind.

[2] James A. Davis, Tom W. Smith, and Peter V. Marsden, principal investigators, *General Social Surveys, 1972–2004* [machine-readable data file] (Chicago: National Opinion Research Center [producer]; Storrs, Conn.: The Roper Center for Public Opinion Research, University of Connecticut [distributor], 2004); U.S. Census Bureau, http://www.census.gov/hhes/www/income/histinc/f04.html.

[3] The quote by John Edwards comes from a speech he delivered on December 29, 2003, in Des Moines, Iowa. See http://www.gazetteonline.com/iowacaucus/candidate_news/edwards64.aspx.

[4] Arthur C. Brooks, "The Left's 'Inequality' Obsession," *Wall Street Journal*, July 19, 2007, p. A16.

Many intellectuals and scholars have built whole careers around the subject of income inequality. It is practically an academic article of faith that inequality per se is socially destructive and should be avoided wherever and whenever possible. The prevailing view is that the fairest, least envious societies — that is, the *happiest* societies — are the most economically equal ones. And thus, if we want a happier citizenry, we need less economic inequality.

Perhaps they're right — after all, equality appears side by side with happiness in the U.S. Declaration of Independence: "We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness." To be sure, most people understand this sentence as referring to political equality, or equality before the law. But a loose interpretation that includes income equality doesn't necessarily make someone a utopian leftist.

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But there are good reasons to question the supposed link between inequality and unhappiness. For one thing, the prevailing intellectual view on inequality doesn't seem to match the views expressed by most normal, nonacademic folks. Although some ordinary people of my acquaintance might complain about the enormous compensation of CEOs, I rarely have heard them express any shock or outrage at the great wealth of America's richest people: successful entrepreneurs. On the contrary, they say they hope their *kids* might become the next Bill Gates or Warren Buffett. Most people I know actually admire those successful folks and don't begrudge them their success.

More convincing than my personal experiences are the data showing no link at all between rising inequality and unhappiness. If inequality were so depressing for us, we would expect to see American happiness falling. Yet average happiness has *not* fallen. Remember that, in 1972, 30 percent of the population said they were very happy with their lives. In 1982, 31 percent reported this level of happiness; in 1993, 32 percent; and in 2004, 31 percent. This total lack of significant change in average reported happiness occurred over the same period in which income inequality increased by nearly half. Statistically, income inequality does not explain any of the fluctuations in happiness or unhappiness over the past three decades.[5]

[5] GSS 1972–2004; *Statistical Abstract of the United States* (various years).

Nor does income inequality explain happiness differences between 10
American communities. Looking at 30,000 households in forty-nine American communities in 2000, we see that the variation between income levels in communities explained nothing about how many people in each stated that they were very happy. Take two very different communities: the Latino community in Cleveland, Ohio, and the city of Boulder, Colorado. Boulder is characterized by far higher income inequality than Cleveland's Hispanic community, yet its citizens are more than twice as likely — 45 percent versus 18 percent — to say they are very happy. Income inequality does not lie anywhere behind this happiness gap.[6]

So is this inequality bad for our nation's happiness, or not? Despite all the rhetoric from populist politicians and egalitarian academics, a good hard look at the best available data tells us that, in fact, inequality does *not* cause unhappiness in America. And efforts to diminish economic inequality — without creating economic opportunity — will actually lower America's gross national happiness, not raise it.

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If you ask an American whether we have "too much inequality" in our society, you are about as likely to hear "yes" as "no." In 2005, 55 percent of U.S. adults believed that income differences in our society were too large. Forty-nine percent thought income inequality was a "serious problem." And 53 percent thought the government should "do more to try to reduce income inequality." Taken on its face, as politicians and some scholars do, this is a major public concern and one worth addressing, even if these percentages are nowhere near as high as the concern expressed about other issues such as crime, education, and national security.[7]

There are several common explanations for the consternation that many Americans evidently feel about economic inequality. The most common is a concern for basic *fairness*. No matter how much you may

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[6] *Social Capital Community Benchmark Survey* (SCCBS) [machine-readable data file] (Cambridge, Mass.: Saguaro Seminar at the John F. Kennedy School of Government, Harvard University [producer]; Storrs, Conn.: The Roper Center for Public Opinion Research, University of Connecticut [distributor], 2000). I regressed the percentage saying in each family that they were "very happy" on the income variance in each community as well as on the mean income level in each community. The coefficient on the variance was insignificant; the mean income level, in contrast, was significant, at the 10 percent level.

[7] Campbell Public Affairs Institute, The Maxwell Poll on Civic Engagement and Inequality [dataset] (Syracuse, N.Y.: Maxwell School of Citizenship and Public Affairs, 2006).

study or how hard you may work, some believe it is simply unfair for you to be rich while others lack basic health care or worry about making their rent. In fact, even if others don't lack these basics, some say, the obscene income differences in the United States are unfair because they simply *cannot* be attributed to merit differences. Bill Gates has a net worth that is hundreds of thousands of times higher than mine, and millions of times higher than that of many poor Americans. Is Bill Gates really 250,000 times more productive than I am? Is he a million times more productive than the average lower-middle-class fifty-year-old? If he is not, some believe, the income and wealth differences between us are not legitimate. They are immoral. They make us unhappy, if we have any conscience at all.[8]

Perceived unfairness can lead to envy. Envy used to be condemned as a sin; today it is dignified in policy proposals. One prominent British economist — in a book entitled *Happiness* — argued that we should tax higher-earning individuals not just to get their money for public services, or even to redistribute it to those who have less, but because in earning a lot these individuals make others feel bad. This is an extraordinary argument for lowering the incentives for higher earners to work. It runs contrary to millennia of moral teaching that valued hard work and actually compares it instead to a destructive vice like tobacco, which we tax or otherwise penalize in order to curtail an undesirable behavior.[9]

Such arguments may sound dubious to you, but history suggests 15
that too much envy can be a dangerous thing. Plutocrats and oligarchs throughout history have found out the hard way that the envy of the masses can cost you your head. Income inequality during the Industrial Revolution is a conventional explanation for the rise and flourishing of communism. Roman emperors coined the term "bread and circuses" to signify the policy of giving free grain and entertainment to the poor masses in order to avoid social strife, and there is an ancient Chinese saying that states the problem succinctly: "Inequality,

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8 According to the U.S. Basic Income Guarantee Network, a group of academics dedicated to achieving greater income equality in America, "equal citizenship is the overriding justification for moving along a path of decreasing income inequality among all persons." U.S. Basic Income Guarantee Network, "Unequal Income Is Unequal Citizenship: The Case against Income Inequality," USBIG Discussion Paper No. 67, 2004.

9 This economist, Richard Layard, wrote: "If we make taxes commensurate to the damage that an individual does to others when he earns more, then he will only work harder if there is a true net benefit to society as a whole. It is efficient to discourage work effort that makes society worse off." Richard Layard, *Happiness: Lessons from a New Science* (New York: Penguin Press, 2005), p. 228.

rather than want, is the cause of trouble." Some today reach the conclusion that equalizing income a bit would be a smart investment to placate the less fortunate.

Academics argue against income inequality in a slightly more sophisticated way than simply complaining that it isn't fair. They assert, instead, that it is inefficient, advocating income equalization on the belief that transferring money from the rich to poor people hurts the rich less than it helps the poor. This argument relies on what economists call "diminishing marginal utility," which works something like this: Imagine you have two bowls of ice cream and I have none. You eat both and don't share. The first bowl gives you 10 units of happiness, while the second – still tasty but not as delicious as the first, because the first *always* tastes best – gives you 5 units. I get 0 units – or maybe even negative happiness as I sit and watch you enviously. Together, we have 15 units of happiness, at best. Now imagine that you give me your second bowl (or we pass a law taking it away from you). Assuming you and I have the same preferences, our total happiness will be 10 plus 10, or a total of 20 units. According to this logic, equalizing income, like equalizing ice cream, will increase our gross national happiness.

There are lots of problems with this concept as a guide to policy. It might be expensive to redistribute income. If we care about liberty, taking from the earner by force might do disproportionate harm to our society's happiness. And probably most importantly (and in fact a demonstrable truth – more on this later), I might gain far less happiness from getting *your* money than I would from earning money myself. Still, despite these issues, for many, especially political liberals, the concept of diminishing marginal utility justifies income redistribution to rectify income inequality.

Another academic argument against income inequality concerns public health. Some social scientists claim there is an association between bad health outcomes (such as shorter average life spans) and high levels of income inequality. Some have interpreted this association as evidence that inequality *causes* poor health. The implications of this hypothesis can be quite radical. Free markets tend to emphasize the productivity differences between individuals by connecting them to differences in pay. Some believe that the result of this is ill health. In other words, capitalism leads to inequality, inequality makes us sick, and thus unhappy.[10]

10 Vicente Navarro, *The Political Economy of Social Inequalities: Consequences for Health and Quality of Life* (Amityville, N.Y.: Baywood, 2000).

In sum, in an effort to explain why income inequality brings unhappiness, some argue that it is unfair, inefficient, and maybe even unhealthy. Each of these arguments is problematic. But there's one big reason to reject all of them: The evidence shows that it isn't income inequality that leads to unhappiness at all, but something else entirely.

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About half of all American adults think economic inequality is a major problem, and about half of them do not. Do these two groups differ in some way that might explain the contrasting attitudes? As it turns out, their opinions cannot be explained by income, class, race, or education. Instead, what best predicts an individual's views on income inequality is his or her beliefs about income *mobility* — that is, about whether Americans have opportunities to get ahead economically. And it is these beliefs about mobility, not beliefs about income inequality, that lie directly behind much happiness and unhappiness. Those who believe that they and other Americans can get ahead with hard work and perseverance — that America offers paths to success — are generally happy and unfazed by economic inequality. Those who think that economic mobility in the United States is an illusion are relatively unhappy and tend to complain about income inequality. 20

In other words, some Americans are unhappy because they don't believe they have opportunities to succeed, but they complain about income inequality, as if this were the root cause of their problem. If our leaders focus on getting rid of income inequality, however, the underlying problem — lack of income mobility — will not improve, nor will happiness. (In fact, it will get worse, because the treatment for inequality exacerbates problems with mobility.) They are mistaking a symptom for a root cause.

People mistake symptoms for root causes all the time. If I am an alcoholic, my relationship with my spouse will probably suffer, and that will make me unhappy. I might complain about the bad relationship, even though my drinking is the real problem. I can work on the relationship all I want, but as long as I keep drinking, things probably won't get better. In fact, the longer I ignore the root cause, the worse it will get and the less likely I am to get back the happiness in my relationship.

And so it goes with inequality, immobility, and happiness. Let's look at the evidence.

First, feelings about mobility and inequality go together. Imagine you are asked the following question: "How much upward mobility – children doing better than the family they come from – do you think there is in America: a lot, some, or not much?" If you think there is not much upward mobility in America – you are not a big believer in American opportunity – you will be 46 percent more likely than people who believe there is a lot of mobility to say that income differences in our society are too large. In addition, you will be 63 percent more likely to say that income inequality is a "serious problem," and you will be 71 percent more likely to say that the government should do more to reduce inequality. Perceived immobility is what drives concern about income inequality, pure and simple.[11]

Or take the following statement: "While people may begin with different opportunities, hard work and perseverance can usually overcome those disadvantages." Imagine two people who are identical with respect to income, education, race, sex, religious participation, and family situation. The only difference is that the first person agrees with that statement, while the second disagrees. The optimist about work and perseverance will be 31 percentage points less likely than the pessimist to say inequality in America is too high. He will also be 39 points less likely to say that inequality is a big problem, and 32 points less likely to advocate for more government intervention to lower inequality. Note that this difference is *not* due to the fact that the optimist is more economically successful, better educated, or is of a different race than the pessimist – the two are identical in these ways. This is purely a difference in views about opportunity.[12]

This pessimism about opportunity is clearly linked to unhappiness. In 2004, 700 American adults were presented with a statement about opportunity and asked whether they agreed or disagreed. The statement was: "The way things are in America, people like me and my family have a good chance of improving our standard of living." Those who agreed were 44 percent more likely than those who disagreed to say they were very happy in life. The optimists were also 40 percent less likely than the pessimists to say they felt like they

11 Maxwell Poll 2005.
12 Ibid. These results are based on probit models in which the beliefs about inequality are regressed on beliefs about the importance of work and perseverance, as well as a vector of the demographics listed. The marginal coefficients are estimated at the mean values of the regressors.

were "no good at all" at times, and they were 20 percent less likely to say they felt like a failure.[13]

. . . The fact that Bill Gates is so rich probably raises the happiness of America's optimists, because it demonstrates to them what somebody can do with hard work, good ideas, great luck, and a system that protects free enterprise. Gates is not a duke or a prince; there is no evidence that God especially likes him. He simply had a lot of opportunities and made the most of them.[14]

In contrast, it is depressing to think that no matter how hard you work or how clever you are, you can never get ahead. This is why, when people feel there is a lack of opportunity to advance at their workplace, they often quit their jobs. Indeed, 70 percent of those who say their chances for promotion are good are very satisfied with their jobs, versus just 42 percent who say their chances for promotion are not good. We need clear paths to success, not guarantees of income equality, to be happy. Guarantees of equality actually take us in the wrong direction.[15]

The true relationship between mobility and happiness explains why happiness levels in America have not fallen over time, even though income inequality has risen. Unequal as it is, economically speaking, America is still a happy land of opportunity.

[13] 2004 GSS.

[14] Andrew E. Clark, "Inequality-Aversion and Income Mobility: A Direct Test," Centre National de la Recherche Scientifique (CNRS) and Department and Laboratory of Applied and Theoretical Economics (DELTA)–Fédération Jourdan Working Paper 2003-11 (2003); Claudia Senik, "What Can We Learn from Subjective Data? The Case of Income and Well-Being," CNRS and DELTA–Fédération Jourdan Working Paper 2003-06 (2003).

[15] 2002 GSS.

## Understanding the Text

1. Why does Arthur Brooks put parentheses around "Un" in the word "Unhappiness" in his title?
2. It takes eight paragraphs to get to the thesis of this piece. Did that seem too long to you, or did Brooks effectively keep you interested through suspense?

   What methods of suspense does he employ?

   Have you ever written a paper with suspense in mind, or have you left suspense exclusively to fiction writers? What assumptions about fiction and nonfiction are reflected in your answer?



## Reflection and Response

3. Brooks includes several types of evidence in his argument: statistics (which he spreads throughout), individual cases (Bill Gates, etc.), comparison (the ice cream analogy), and appeals to authority (like the Chinese saying). Do certain types of evidence carry more weight with you than others do? Explain.
4. Has Brooks succeeded in convincing you? Why or why not?
5. Which forms of equality do you personally think should be guaranteed?

   _____ equal access to the best health care
   _____ equally good housing
   _____ equal pay
   _____ equal say in decisions of the government
   _____ equal access to the best education
   _____ equally effective protection from crime
   _____ equally long vacations
   _____ other:
   _____ none of the above

   What rationale underlies your responses? That is, what's your *philosophical basis* for supporting certain forms of equality and not others?

## Making Connections

6. Of the different authors you've encountered in this book, who is most likely to want to take Brooks on and to refute his argument? Explain.
7. About 175 years ago, a French aristocrat named Alexis de Tocqueville wrote a book based on his travels in the U.S. titled *Democracy in America* — perhaps the most insightful book published about our national psyche. In it, he, like Arthur Brooks, remarks how little we Americans seem to care about economic inequality. Look up Tocqueville's book to decide whether he and Brooks explain this American indifference on the subject in the same way.