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Why No One Cares about Inequality (Except Us)

Martin Schröder

Much social science is motivated by a tacit understanding that excessive income inequality is “bad.” But just what is “bad” about income inequality? Many social scientists argue that it is more difficult for people to live a satisfying life when the distribution of incomes is highly unequal. Curiously, however, most empirical research shows that inequality does not lower life satisfaction, at least not in the way we thought it would.

In a widely cited study, Wilkinson and Pickett (2009; 2010) famously made the argument that many social scientists were eager to hear: they claimed that everyone is worse off in highly unequal societies. The reasons are said to be manifold: Some suggest that inequality breeds unhappiness because it lowers trust and increases status anxiety (Delhey and Dragolov 2014, 160). Others propose that people simply have a “taste” for equality, which highly unequal societies violate (Thurow 1971, 327). Still others argue that those who profit from inequality profit less than those who lose out from inequality lose, so that the net effect of income inequality on life satisfaction is negative (Ferrer-i-Carbonell 2005, 1015).

If this is so, then one empirical connection should have shown up time and again: societies with more income inequality should have less satisfied populations. Indeed, some empirical studies find this to be the case (Cooper, McCausland, and Theodossiou 2013, 952; also cf. Valdmanis 2015, 995). But an overwhelming number of studies make the opposite and

somewhat disturbing discovery: unequal societies seem to have more satisfied populations (Zagorski et al. 2014, 1105; Kelley and Evans 2016, 21; Bjørnskov et al. 2013, 90; Schneider 2012, 435; Cojocar 2014, 606; Berg and Veenhoven 2010, 187; Katic and Ingram 2017). Reviewing the literature, Clark and D’Ambrosio (2015, 1173ff.) find nine studies that document a negative impact of inequality on wellbeing, five studies documenting a positive relationship, six with no relationship and eight in which the link depends on other variables. Go figure! What these unclear results illustrate, however, is that, well, results are unclear: populations of unequal societies are neither more nor less satisfied than populations of more equal countries. In this sense, existing research really does not show that inequality lowers wellbeing.

Variation of inequality over time, not between places, influences life satisfaction

However, all existing studies share a common flaw: they compare the populations of different countries, instead of making comparisons over time. This is problematic, as people may get used to the long-run level of inequality they experience in their own countries. What they may not adapt to, however, at least not in the short run, is the experience of an increase in inequality in their own country, in comparison with the inequality that they had become accustomed to in the past. Technically speaking, people’s life satisfaction might not be influenced by a between-country effect of inequality, which draws its variation from relatively static differences between countries. Rather, people’s life satisfaction could be influenced by a within-country effect, which draws its variation from how inequality changes within countries over time. Indeed, empirical studies find astonishing re-

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sults when they distinguish these two effects.

One study could show that Germans who live in federal states with high levels of income inequality are as happy as Germans who live in federal states with a more

equal income distribution. But while the variation of inequality between different places has no effect on life satisfaction, Germans interviewed in years when inequality is higher are less satisfied than Germans interviewed in years when inequality is lower (Schröder 2016a). Cross-country studies confirm this finding: populations of countries with a higher long-run level of inequality (compared to other countries) are no less satisfied with their lives. But within each country, people are less satisfied during years in which they experience more inequality than during a typical year in their country (Schröder 2017a). In other words, people are just as happy in countries where inequality is permanently higher as they are in countries where the level of inequality is permanently lower. However, they are unhappier when inequality in their own country exceeds the level they have come to experience in a typical year. It is thus variation of inequality over time, rather than the relatively stable differences in inequality between countries, which influences life satisfaction. But why should people be bothered by short-run increases in inequality over time, rather than by the long-run level of inequality in their country compared to another? Much evidence suggests that people simply grow accustomed to whatever the long-run level of inequality is, so that it has no influence on their life satisfaction.

People adapt to whatever they find to be the case

Many say that adaptation to the status quo is a universal feature of human existence. Kahneman et al. (1986: 730f.) suggest that “any stable state of affairs tends to become accepted eventually, at least in the sense that alternatives to it no longer come to mind.” Melvin Lerner (1982, 10) argues that “people imbue social regularities with an ‘ought’ quality” and George Homan (1974, 249–50) claims that “what people say ought to be is determined in the long run and with some lag by what they find in fact to be the case.” An extreme illustration is slavery in antiquity, which was widely seen as normal, simply because it existed over extended periods. People got so used to the idea of slavery that even slave revolts never aimed to abolish slavery as an institution. Slaves fought for their individual freedom, but never against the concept of slavery (Bradley 1989, xiii, 129–30; Vogt 1974, 89, 40; Finley 1959, 155). Paradoxically, they “fought for a freedom that included the right to possess other individuals as slaves” (Elster 1986, 152). Think about how crazy that is. In a world marked by slavery, even those who fought it could not imagine life without it. It is a stark illustration that, however unfair something

may appear to a detached observer, it may not bother those who actually experience it, as they simply adapt to whatever they see as normal.

The same seems to be true for inequality. Empirical studies have shown that when inequality increases, people tolerate more inequality within three to four years, so that about 60 percent of each increase in inequality gets “absorbed” as people adapt their normative expectations to the new reality they experience (Schröder 2017b). This adaptation of expectations to the status quo means that people are no less satisfied in societies with a permanently higher level of inequality. But precisely because people’s fairness views adjust to increased inequality with a time lag, short-run increases in inequality bother them, as long as their fairness views have not yet adjusted.

Adaptation to inequality: A new answer to old research questions

That people adapt to inequality with a time lag can explain why the long-run level of inequality does not seem to influence life satisfaction, while a short-run increase in inequality does lower life satisfaction. It also explains why people routinely acknowledge that there is – in principle – too much inequality, but then just shrug their shoulders and go about their lives, unfazed by what seems outrageous to those who are unaccustomed to high levels of inequality. It also implies that when inequality increases, a window of opportunity of about three to four years exists in which people’s normative views have not yet adjusted to increased inequality. After this period of adjustment, the new normal has infected people’s fairness views, so that they cease to experience cognitive dissonance between what they perceive as factual and what they perceive as fair.

This could explain why Meltzer and Richard’s (1981) model, which posits that more inequality leads to more calls for redistribution, often fails empirical tests. Some confirm Meltzer and Richard’s idea that when more inequality exists, more support for redistribution ensues (Finseraas 2009). But others did not find that more inequality leads to more redistributive demands (Kenworthy and McCall 2008; Schmidt-Catran 2016, 21–22). Such unclear results may come about because fairness views adapt to the status quo as described above: when inequality increases, people’s expectations about inequality adapt, but with a time lag. While normative views have not yet adjusted to the increased level of inequality, more inequality does indeed lead to stronger demands for redistribution. However, after fairness views

have adapted to the new normal, the gap between what is and what ought to be has closed, so that more inequality ceases to translate into stronger demands for redistribution.

That people seem to adapt their fairness views to the existing level of inequality also raises a philosophical question: If people adapt to a bad thing, does it cease to be a bad thing? The idea of slavery, which no one seems to have worried about in antiquity, surely lets us assume that something can be bad even though no one realizes this when they experience it. But that people's life satisfaction really seems unaffected by the long-run level of inequality may also explain why so few people really seem to care about inequality, except a few social scientists here and there.

Tasks for future research

To be sure, people have revolted against the status quo time and again. This implies an omnipresent race between outrage against and adaptation to any state of social affairs. Which of the two takes precedence over the other is an empirical question, but it has largely failed to animate empirical studies in our field. We know little

about the conditions under which people's fairness views adapt to the status quo, and under which conditions they change it. Nor are we aware of the conditions that get people to redefine as normal what they considered repulsive yesterday. Thus, we do not know under which conditions material reality infects social justice views. And we don't know much about the opposite conditions either: those under which normative ideals change material reality. We know only that for this to occur, people must stubbornly refuse to adjust their normative views to what they perceive to be the case, so that anger eventually leads to revolt, which leads to a change of the status quo towards what people see as fair.

We therefore need empirical studies that show under which conditions each of the two possibilities occurs: Under which conditions do people adapt their view of what ought to be towards what they find to be the case? And under which conditions does the opposite happen, so that people's fairness views get them to revolt? Such studies might find that people adapt to all sorts of circumstances that seem intolerable to an outside observer. Notably, they might find that no one cares about inequality because people accept almost anything as long as they have time to get used to it.

Endnotes

- 1 I treat life satisfaction and happiness as synonyms here.
- 2 In technical terms, there is no negative "between" effect, but there is a negative "within" effect of inequality on life satisfaction (cf. the distinction between "between" and "within" effects in hybrid regressions in Allison 2009; Schunck 2013).
- 3 Note, however, that this is an important discussion in the classics. Karl Marx ([1859] 1904, 11–12) is most prominently associated with his central dictum that "material life determines the general character of the social, political and spiritual processes of life. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness." Max Weber's study of

the Protestant Ethic is widely hailed as an important testimony of how ideas influence material structures as "switchmen" (Weber [1920] 1978). Economic sociology has shown how ideas influence what can be traded on markets (Zelizer 1979; 1985; Dobbin 1994). Political economy has shown how ideas about legitimacy influence varieties of welfare states and capitalisms (Brooks and Manza 2007; Svallfors 2010; Schröder 2009; 2013; 2016b). But neither discipline has told us under which conditions fairness views change material reality and under which conditions fairness views simply adjust to material reality. A literature that one could draw on might be the study of revolts (Moore 1978; Tilly 1978).

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