Inequality, Status, and Subjective Well-Being

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Subjective well-being is shaped by social inequality. For instance, in every society for which we have data, rich people tend to be happier than poor people. Using unique data gathered by the author on social comparison, we can now better distinguish between relative and absolute income effects on subjective well-being. We can also assess the association between well-being and standing on other goods with varying positional or Veblen-good characteristics (i.e., home, cars, clothes, education, vacation time, and cultural activities). The central analysis indicates that the effect of income on subjective well-being in the US is largely relative, lending support to the idea that happiness is shaped by the operation of a positional treadmill, in addition to an hedonic treadmill.