Income Inequality, Economic Development and Subsequent Health: A Cross-National Investigation

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Short Abstract (266 words)

It has become fashionable in the public health community to assert that income inequality within a society causally affects individual health outcomes. This assertion is supported in many epidemiological studies by cross-country comparisons of the simple correlation, in a single cross-section, between individual health and the degree of income inequality in the particular country. But this correlation (usually) measures the relationship between (self-reported) health and inequality in the same calendar year. Aside from temporal persistence, there is no obvious theoretical reason to expect a relationship between self-reported health and current income inequality. Moreover, if one defines "true" health as something that measures a core of physical and mental robustness, any measure of it reflects effects of behavior and conditions that have accumulated over a person's life-course.

In our paper we show the sensitivity of the correlation between societal income inequality and individual health when one measures income inequality in various ways. We use panel data from four countries – Australia (Household Income and Labour Dynamics in Australia - HILDA), Great Britain (British Household Panel Survey – BHPS), Germany (German Socio-Economic Panel – GSOEP), and the United States (Panel Study of Income Dynamics - PSID). In each country we measure income inequality contemporaneously with the year that health is reported. We then measure income inequality in different portions of the life-course using time-series data. We show how the simple correlation changes for each country when one measures life-time exposure to inequality. We then add measures of household income of each respondent to demonstrate the extent to which income inequality proxies in simple models for the level of well-being of the average respondent. Finally, we add time-series data that measure the level of economic development in each country to control for other country-specific and time-varying factors that might explain the associations.

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