

Income Inequality and Subsequent Health: A Cross-National Investigation
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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 the degree of income inequality in the particular country.

In our paper we investigate the correlation between societal income inequality and individual health using panel data from three countries – Great Britain (British Household Panel Survey – BHPS), Germany (German Socio-Economic Panel – GSOEP), and the United States (Panel Study of Income Dynamics). In each country we select a sample of men and women whose position in the income distribution we are able to observe in some year and for whom we are able to observe their current health in some subsequent year. Because of the differing lengths of the panels in each of our countries, the number of intervening years varies across countries. In the recent waves of each of these data we are able to characterize health by questions that measure physical and mental aspects of health as well whether individuals have difficulty carrying out activities of daily living.

We use the health data in each panel to create measures of health that are comparable across the three data sets. We then combine the health measures with information on demographic characteristics and income created for the above data sets that are included in the Cross-National Equivalent File (a compendium of data from the BHPS, GSOEP, and PSID and data from Canada that are not used here).

We use these data to investigate four main questions:

1. Holding one's position in the income distribution in a given year constant, is the level of dispersion in the income distribution correlated with one's health in a later period?
2. How does this correlation vary with the time over which one measures the correlation?
3. How does the correlation change when one controls for demographic characteristics?
4. How do changes in income redistribution (over time) affect this correlation?

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