

Abstract

The relationship between income inequality and happiness is central to a host of welfare policies. If higher income inequality puts people down, advocating for income redistribution from the rich to the poor could make society happier. We show, however, that this popular consensus on the relationship's direction is rather absent in the academic literature. Based on the 868 observations collected from 53 studies and controlling for 62 aspects of study design, we use state-of-the-art meta-analysis techniques to identify several important drivers of the effect. Unless each study gets the same weight, the literature is driven by publication bias pushing the estimates against the popular consensus. While geographical differences dominate among the systematic influences of the relationship's magnitude, the relationship is also strongly affected by various methods and data the authors use in the primary studies. Most prominently, it matters if authors control for different individual's characteristics, such as perceived trust in people or their health status.