

ENVYING ALONE

Social poverty as an engine of social comparisons and unhappiness

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Using different sources of survey data, we show that the lower is the social capital of individuals, the more their subjective well-being is affected by relative and absolute income. Social capital moderates more sharply the impact of relative income on well-being than absolute income. High levels of social capital wipe out the relationship between relative income-well-being. Tests of causality suggest that social capital affects the impact of income on well-being. We show that in countries with more social capital the distribution of well-being among income classes is less affected by income inequality. The time series of the countries experiencing the Easterlin paradox exhibit both increasing importance of relative income and declining social capital over time. These results suggest that the reason for the association is that they are associated in individuals.