

It seems likely that reducing inequality can make us ha...

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Professor Charles Adams had a fascinating [post on Progressive Pulse](#) earlier this week, developing my theme on [inequality and the Gini coefficient](#). As he asked:

What should politicians do? Make us happier of course. UK politicians are not doing great at this — we are only 18th in the [happiness league table](#) of OECD countries. Maybe politicians have got their priorities wrong? As I show below, as happiness and equality are related, maybe they should be doing more about inequality (also discussed recently over at [TRUK](#) and [Stumblings](#))?

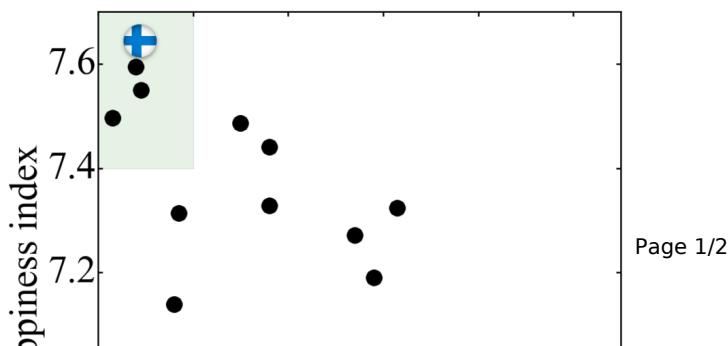
His analysis went like this:

As with everything there are a range of views on inequality, and there are a range of measures too. It is widely accepted that the most commonly used metric — the Gini index — is misleading at best. Representing a distribution by a single number is never going to tell the whole story.

Thomas Piketty in [Capital in the Twenty first century](#) uses the wealth and income share of the top 1%.

Others prefer the [Palma index](#) — the ratio of income share of the top 10 % to the bottom 40%.

I prefer to look at distributions, but here I shall focus on the Palma index. A Palma index of around 1 appears to be healthy, whereas a Palma index much greater than 1 appears to be less healthy. Why do I say that? Well, you can correlate happiness (using [data from the World Happiness report](#)) with the Palma index (using [data](#) from the OECD) as shown in the plot below.



As Charles notes:

I have included the top 18 'happy' countries in the OECD — the UK is bottom at number 18. Top of the list is [Finland](#) with a happiness score of 7.632.

Now the top 4 happy countries — Finland, Norway and Denmark along with Iceland (all in the green zone) — all have low income inequality — a Palma index significantly less than 1. The UK — with a happiness index of 6.814 — is significantly less happy, and with a Palma index of 1.52 — significantly less equal too.

But he carefully adds:

Could lowering inequality make us happier? Well, the inverse correlation between inequality and happiness is not perfect. Reducing inequality does not guarantee happiness (you could end up in the blue/purple zone — along with Germany, Austria, Belgium and Ireland — more equal but still not happy), but high inequality — as in the UK and US — does appear to exclude high happiness (the red zone).

Nonetheless a wise politician might heed Charles' advice:

So it seems pretty obvious where politicians should be directing more of their attention — if they care about trying to make us happier?

But will they?