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Income, Income Inequality, Wealth, and Health

Learning Objectives

In this chapter, you will learn to

- Appreciate the importance of income as a determinant of health
- Understand the strengths and weaknesses of the “inequality hypothesis”
- Distinguish between the individual-level analysis (embedded in materialist hypothesis) and the collective-level analysis (embedded in the psychosocial hypothesis)
- Appreciate the policy implications for taxation, income maintenance, and public services that flow from an analysis of inequality and health

Chapter Overview

The chapter begins by identifying the links between income and health and explaining social gradient in health. It has been established that lower income leads to poorer health. The works of Preston, Rodgers, and Kaplan explain the relationship between income and health. Additionally, the chapter looks at Wilkinson’s theory and explains its theoretical foundations, its assumptions, and the links that it draws between income inequality and population health, as well as the weaknesses of Wilkinson’s arguments and the criticisms levelled against his theory.

Next, the chapter delineates between materialist arguments pertaining to access to resources and the arguments that draw on the psychosocial explanations of the relationship between inequality and health. Alternative explanations for the correlation between social inequality and health include social relation theory, social isolation theory, health-enhancing goods theory, and opportunity structure theory.

The final part of the chapter deals with income and income distribution. Income inequality has grown dramatically, both globally and in Canada. The chapter discusses the measures for inequality, poverty, and the social policies that can be used to mitigate poverty, and finishes with a discussion of neo-liberal ideology and its impact on growing social inequality.

Key Terms and Concepts

Asymptotic relationship relationship between variables that reaches a certain limit (p. 99)

Collinearity positive associations between independent variables (p. 97)

Co-variates when one variable is changing with the other (p. 95)

Curvilinear relationship relationship between the variables where one variable increases with the other until a certain point after which the relationship changes (p. 94)

Gini coefficient the most commonly used measure of income inequality (p. 116)

Liberal regime a type of social welfare regime in Australia, Canada, United Kingdom or the United States (p. 115)

Materialist hypothesis suggests that the resources available to individuals (e.g. income, level of education) determine their health (p. 105)

Neo-liberalism an ideology that promotes free economic relations with little government footprint (p. 121)

Residualism the view that a government ought to not be involved in matters related to individual problems (p. 119)

Social capital features of social structures acting as resources for individuals (p. 101)

Social demographic regimes the social welfare regimes that promotes social responsibility, which most characteristic for Nordic countries (p. 116)

Study Questions

Scroll down for answers.

1. Define the Preston curve.
2. Identify what conclusions can be drawn from the study conducted by Kaplan and colleagues.
3. Define residualism.

Critical Thinking Questions

Scroll down for answers.

1. Explain Preston's findings and identify the conditions under which more equal distribution of resources is beneficial for society.
2. Explain Wilkinson's theoretical synthesis and the ways it links individual's physiological responses and social structures.
3. Explain the criticisms levelled against Wilkinson's theory. Given all these criticisms, would you still consider his research an important contribution to health research? Why or why not?

4. Provide other explanations for the correlation between social inequality and health that are not linked specifically to income.

Annotated Multimedia Resources

1. Income inequality in Canada
<https://www.conferenceboard.ca/hcp/Details/society/income-inequality.aspx?AspxAutoDetectCookieSupport=1>
This website of the Conference Board of Canada reports on Canadian ranking in the measures of income inequality. It includes the actual rating, definition of inequality and the implications of income inequality for Canadians.
2. Wealth inequality in Canada
<https://www.youtube.com/watch?v=zBkBiv5ZD7s> (4:13 min)
This video produced by the Broadbent Institute summarizes the growing wealth inequality in Canada.
3. Canada's working poor
<https://www.youtube.com/watch?v=EbkMT2P3NeY> (2:31 min)
This CBC news report from the National showcases the challenges of the working poor in Canada.
4. Gap between rich and poor
<https://business.financialpost.com/executive/before-noon-today-a-top-ceo-will-have-earned-more-than-most-of-us-do-all-year-report>
This news report summarizes the striking income inequality in Canada. Before lunch on the first working day in January 2018, a top CEO in Canada has already earned more than the average Canadian would earn in the whole year.
5. The rich are getting richer: Oxfam
<https://www.youtube.com/watch?v=gAKSJYRO0CU> (5:38 min)
In this CBC news report the findings from Oxfam report on the global income inequalities are summarized and explained.
6. Federal liberal government introduces official poverty line in Canada
<https://globalnews.ca/news/4631052/canada-poverty-line-trudeau-liberals/>
This is an announcement from the federal government that it will introduce the first ever official poverty line in Canada.
7. CIHI's health inequalities interactive tool
<https://www.youtube.com/watch?v=mIOFmKK5ihg> (7:53 min)
This video from CIHI shows how to use its interactive tool to interpret the relationship between income and health.
8. Welfare state and social democracy
<https://www.youtube.com/watch?v=Jv3hMfITCfY&t=21s> (4:51 min)
The Friedrich Ebert Stiftung's Academy for Social Democracy explains the relationship between the welfare state and social democracy.

Answers to Study Questions

1. The Preston curve shows a *curvilinear relationship* between income and life expectancy. Each new income increment in an already affluent place such as Canada has less effect on health and life expectancy than the same increment of wealth in a poorer one such as India (p. 98).
2. Kaplan results showed that the income share of the lower half of the income distribution is strongly associated with the state-level mortality rate. In other words, both the proportion of poor people and the nature of the income distribution affect population health. People who live in more unequal States in the United States are more likely to experience poor health (p. 99).
3. Residualism is the view that a government ought to not be involved in matters associated with individuals or households unless there is no other party—such as a voluntary, non-government organization like a charity—willing or capable of addressing the need. In other words, residualism implies that (a) government intervention in support of individuals and families ought only occur as a last resort, and (b) the intervention should be as limited as possible. Government's role is to provide a safety net, not to support or facilitate health and human development (p. 119).

Answers to Critical Thinking Questions

1. Preston drew the conclusion that total income and *average income* matter most in poorer places but the *distribution of available income* matters more in affluent ones. It follows from Preston's analysis that overall life expectancy (and presumably overall health) would be improved by redistributing income from the wealthy to the less wealthy within rich countries and redistributing income from wealthy countries to poorer ones between countries. It also follows, as Preston himself pointed out, that countries like the United States have worse health and lower life expectancies than their average per capita GDP would warrant. In short, affluent countries with significant income inequality have sub-optimal health outcomes (pp. 98–99).
2. Wilkinson described how stress is being socially produced through the comparisons that individuals do with people around them. He then explained how stress changes the cortisol levels which lead to the chronic blood elevations that lead to poor health. Overall, he argues that rising social inequalities lead to a more hierarchical social structure which damages social capital and undermines positive social interaction (pp. 102–104).
3. The weaknesses in Wilkinson's thesis can be summarized by the problems in scale, the problem of inconsistent correlation, the problem with animal models, the problem with ideological bias, and the confounding of status with income. Despite these shortcomings, the works of Wilkinson can still be considered important because he links larger social inequalities to population health (pp. 105–107).
4. Social relations theory proposes that income differences segregate (spatially and culturally) the less well-off from the more affluent, with the degree of segregation depending on how unequal incomes become. This theory is psychosocial. Social isolation theory postulates that once a group becomes much more affluent than those around them, they will relocate to create a privileged enclave for themselves. Resources such as good schools migrate with them. This theory is neo-materialist. Health-enhancing goods theory is similar. An area in decline because of departure of the more affluent will see a fall in property values relative to other areas and hence a relative decline in property tax—the major source of funding for most community-level services. This theory is also neo-materialist. Finally, opportunity structure theory looks at the range of possibilities and constraints a neighbourhood presents to its residents. This theory is also neo-materialist.