SOCIO-ECONOMIC INEQUALITIES. INCOME INEQUALITY VERSUS HAPPINESS INEQUALITY OR HOW INEQUALITY AFFECTS THOSE AROUND US AND OUR LEVEL OF HAPPINESSS

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Abstract:
The fact that the wealth is unevenly distributed is not new. As is the presence throughout history of both the rich and the poor. It is also known that the inequality strongly erodes the banks of the cohesive sources of society, moving their riverbed to the areas where social cleavages fully participate in the solidification of the social stratification process. We also know that the inequality creates a wide range of problems that the successful market democracies, through its legitimate governments, should solve them. But what is the individual limit or the social tolerance of inequality? How is the inequality viewed from within societies, not from outside of it? How important is income inside of society and how important is it outside of it? What do we notice when we uncover the roof of comparisons between states and put under a magnifying glass the individual differences within a society? How inequality is seen from outside society and how is seen from within the society? This article does not seek to solve the problems of income inequality. Rather, we are invited to reflect about a problem of practical importance: income will always be important for the individual because it refers to issues that concern society he live in and not to aspects outside it. Because in the society we live in, we look at the social status, at the size of the gaps between us, where is your position towards others.

Keywords: *disparities, GDP, GDP per capita, Gini coefficient, income, income quintile share ratio, inequality, life expectancy at birth, PPS per inhabitant, successful market*

JEL Classification: A11, J10, Z10

1. Socio-economic disparities. General framework

The world has changed. Social disparities builded huge invisibly barriers inside of the paradigm that describing the process of building economic and social cohesion. The great economies of the world are unsuccessfully looking for solutions to mitigate the huge gaps that are installed every year between individuals of the same society, between regions, cities, localities.

The average well-being of our societies is no longer dependent on the positive dynamics of national income or of the economic growth. The well-being of people, measured in the annual revenues, has long been decoupled from mechanisms that describing GDP growth.

The wealth of nations remains increasingly unevenly distributed building an economic and social mosaic that reflect growing gaps and disparities. Disparities that are more strongly felt if we are inside of the societies.

Through a common interpretation of data (from outside) we do not figure out about dynamics and intensity of the processes inside. For example, if we notice some increases in GDP, we are tempted to advance the hypothesis that and individuals accumulate more wealth and record an increase of income. And all of these as a result of the belief that the economic mechanisms are shaped by the principles of equity and of an impartial public behavior..

Unfortunately, social reality looks completely different. We have seen rather in recent years the onset of a real storm that strongly influences the process of social polarization. The storm that constantly presses on the borders which describing cohort of people on the brink of poverty. A cohort that is growing, with a lot of extremely poor people within its borders.

Comparing societies from the outside, their inequalities and consequences seem to be non-existent, even without influence.

If we are looking at Eurostat data there is no correlation between income and life expectancy at birth. For example, in the Grand Duchy of Luxembourg, that recorded the highest level of GDP per capita in 2020 (266% of EU-27 average) the average life expectancy at birth was 81,8 year, smaller with 1,1 years than in Cyprus (82.9 years) that recorded a GDP per capita of only 89% of EU-27 average..

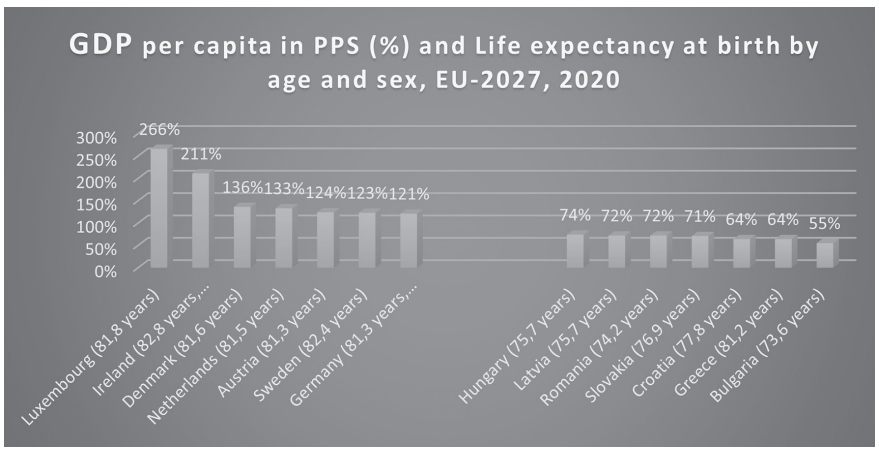
The paradox is that the income data are very important not outside, but inside of the society. Individual is much more interesting to look carefully at the dynamics from inside of their own society. Being inside of

society, individual is interested in income because this one gives to him the social position, the social status, where he is in relation to the others, the size of the gaps between him and the others.

2. Inequality of living standards and its role in life expectancy at birth (national level)

Let's take a closer look at Figure 1, that presents a ranking of the richest and poorest states in terms of GDP per capita (according to the purchasing power standard), as well as the average life expectancy at birth specific to UE-27 populations.

Figure 1: GDP per cpita in PPS (%) and Life expectacy at birth, EU-27, 2020



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According to this perspective:

- In 2020, national GDP per capita ranged from 55% to 266% of the EU average;
- The Grand Duchy of Luxembourg recorded the highest level of GDP per capita (266% of EU-27 average), followed by Ireland (211% of the EU-27 average);
- Denmark, the Netherlands, Austria, Sweden and Germany join to Luxembourg and Ireland, recording a GDP per capita with at least twenty percent above the EU-27 average;
- Data show us a very large gap between EU-27 countries (Luxembourg - 266%, Bulgaria - 55%);

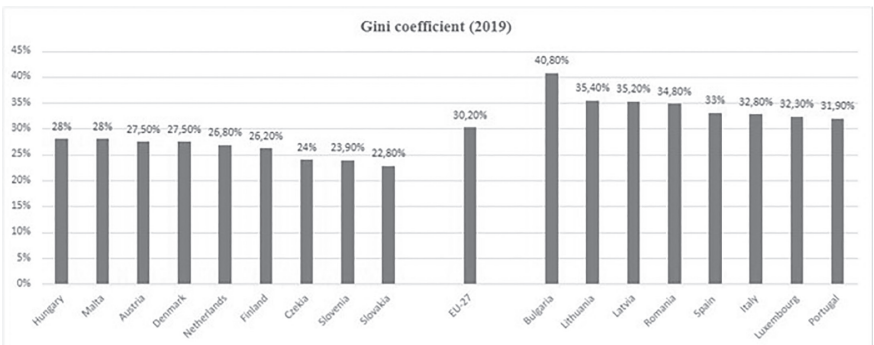
- Romania occupies the fifth position at the bottom of this ranking, recording a GDP per capita of 72% of the EU-27 average;
- In 2020, life expectacy at birth by age and sex (EU-27) ranged from 73,6 years (Bulgaria) to 82,6 years (Malta);
- There are considerable differences in terms of life expectancy at birth between rich and poor states;
- In the richest EU-27 countries life expectancy at birth is in generally above of the European average (81.3 years, 2019);
- In the countries of the former communist bloc (EU new members) the life expectancy at birth is well below of the European average - Bulgaria - 73.6 years, Romania - 74, 2 years, Hungary - 75.7 years, Latvia - 75.7 years; Slovakia - 76.9 years, Croatia - 77.8 years. There it's no less true that they recorded a GDP per capita well below of the European average

If GDP per capita, as a derivative indicator, is a good instrument in comparing living standards Gross Domestic Product (GDP) is fundamental unit of measurement for global dimension of someone economy (all of the goods and services produced within the borders of a state).

The development of associated indicators or of some data that could aim the distribution of revenues and savings, can provide valuable information to the process of monitoring and evaluating specific EU-27 policies.

If, for example, we turned our attention to the mechanisms of income distribution and we will try to measure Gini index, according to the figure below we would discover the following:

Figure 2: Gini coefficient of equivalised disposable income – EU-SILC survey



Source: appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_di12

- In 2019 ***Gini coefficient*** of equivalised disposable income in the EU-27 was 30,2%;
- The highest disparities among the EU Member States were recorded in Bulgaria (40,8%), Lithuania (35,4%), Latvia (35,2%) and **Romania (34,8%)**;
- Income was more evenly distributed in Czechia (24%), Slovenia (23,9%) and Slovakia (22,8% where the Gini coefficient was less than 25%;
- In 2019, the income quintile share ratio for the EU was 4.99 (the income received by the 20 % of the population with the highest incomes was five times as high as the income received by the 20 % of the population with the lowest incomes);
- The income quintile share ratio ranged from 3,3 in Slovakia and Czechia (Slovenia – 4,0), to 8,1 in Bulgaria (Romania – 7,08, Latvia – 6,54, Lithuania – 6,44) (see Ec.europa.eu (2020b.)

It is clearly that well-being cannot be interpreted only in a key of the income or the consumption, because well-being represent a multidimensional concept, which includes many more aspects of human life (like education, environmental conditions, health etc.).

But at the individual level the figure that add up the goods and the services is expression of an "evaluation that people do it about consumption ", evaluation that puts in the proximity of the interpretation the belief that well-being increases as consumption increases.

If consumption is obviously linked to income, the size of GDP has a central role in terms of ensuring a typology of service structure. And these services are the expression of aspects related to education, environment, health system, etc.

If we analyze the data that classify states according to the wealth produced (gross national income) we may not notice any difference in life expectancy at birth. Spain and Italy, much poorer countries than Germany for example, have a much higher life expectancy at birth (82.4 years Spain and Italy, 81.1 years Germany).

But if we analyze and looking out inside of the societies we discover different levels of the social problems, invisible from outside; but which focus on the most important aspects of social life (health, education, infant mortality rate, premature birth rate, homicide rate, mental illness).

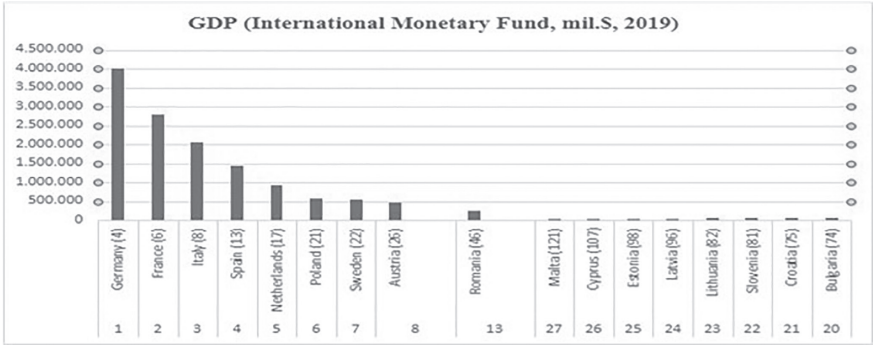
And a country is represented by the sum of these indicators. And each of these indicators correlates with life expectancy at birth.

The hypothesis is that the more unequal the states, the more influential the indicators that describe these social problems are on the quality of life. Because the GDP represents not only the fundamental unit of measurement for the global dimension of an economy, but also a barometer of the goods and services it can provide, having a decisive role in the equation that describes the quality of life.

If we look from this perspective, according to the data provided by the International Monetary Fund for 2019 (see Figure 3):

- Germany has the highest GDP in the EU-27, ranking fourth in the world;
- In such a ranking, Germany is followed in EU-27 by France (6th place), Italy (8th place), Spain (13th place) and the Netherlands (17th place). From this perspective Romania occupied 46th place;
- All the states listed above have very good scores in terms of life expectancy at birth, indirectly suggesting that in the explanatory equation, along with the variable income at the individual level, works also the GDP, involved in ensuring quality services (public policies that satisfy the interests of citizens);
- Although there are many researchers who argue that beyond of the strictly material aspects (individual income and the state's ability to provide quality public services) an important role is played by family values (for Spanish family the values are essential) or even the famous Mediterranean diet, the role of income is essential in the equation that describes the dynamics of life expectancy at birth.
- And this is because even in order to have a dignified family life or to serve a famous Mediterranean diet, a high level of quality of life is needed, which excludes the constant stress of the struggle for survival or worry about tomorrow.
- Conditions impossible to meet in the absence of acceptable individual income.

Figure 3: GDP (International Monetary Fund, mil.$, 2019)



Source: https://en.wikipedia.org/wiki/List_of_countries_by_GDP_(nominal)_per_capita

3. Inequality of living standards and their role on life expectancy at birth (regional level)

Even if from an outside perspective it might be suggested that in very rich countries life expectancy at birth could be similar like in poorer states, if we look closely inside of our societies there is a huge difference between rich and poor.

Let's take a look at the two tables below (the richest regions of the EU-27, that recorded a GDP per capita bigerr than 150% of the EU-27 average, as well as the poorest 16 regions in the EU-27, that recorded a GDP per capita less than 50% of the European average):

- In 2019, GDP per capita ranged from 32% in the North-West region of Bulgaria (as well as Mayotte, France), to 260% in the Grand Duchy of Luxembourg;
- According to Eurostat data, in 2019 about three quarters of Europe's regions had a GDP per capita less than or equal to 75% of the EU average (from 32% in NW region of Bulgaria or Mayotte in France to 260% in region of Luxembourg).
- If we focus our attention on the life expectancy at birth we notice a very interesting coincidence: in northwestern region of Bulgaria (the poorest region of EU-27) we identify the lowest value of life expectancy at birth (73, 6 years), while in Luxembourg region (the richest region) life expectancy at birth are almost 83 years (82.7 years).

Table 1 – Regional gross domestic product (PPS per inhabitant) by NUTS 2 regions and Life expectancy, EU-27, 2019

No	The highest values	GDP in PPS per capita (%) of the EU average (2019)	Life expectancy by age, sex and NUTS 2 region (years, 2019)
1.	Luxembourg (LU)	260%	82,7
2.	Southern (IE)	240%	82,4
3.	Prague (CZ)	205%	81,0
4.	Eastern & Midland (IE)	202%	83,0
5.	Brussels Region (BE)	202%	81,6
6.	Hamburg (DE)	197%	81,5
7.	Upper Bavaria (DE)	179%	82,8
8.	Ile de France (FR)	177%	84,6
9.	North Holland (NL)	170%	81,7
10.	Capital (region) (DK)	167%	81,5
11.	Stockholm (SE)	164%	83,9
12.	Bratislava (SK)	162%	79,3
13.	Warsaw Capital (PL)	160%	79,5
14.	Bucharest-Ilfov (RO)	160%	77,2
15.	Darmstadt (DE)	159%	82,1
16.	Utrecht (NL)	159%	82,7
17.	Stuttgart (DE)	157%	82,6
18.	South Tirol (AT)	155%	83,0
19.	Salzburg (AT)	154%	82,8
20.	Bremen (DE)	151%	80,7
21.	Budapest (HU)	151%	78,7
22.	Vienna (AT)	150%	81,1

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Table 2 – Regional gross domestic product (PPS per inhabitant) by NUTS 2 regions and Life expectancy, EU-27, 2019

No	The lowest values	GDP in PPS per capita (%) of the EU average (2019)	Life expectancy by age, sex and NUTS 2 region (years, 2019)
1.	North-West / Severozapaden (BG)	32%	73,7
2.	Mayotte (FR)	32%	75,9
3.	La Reunion (FR)	32%	81,3
4.	North-Central / Severen tsentralen (BG)	35%	74,6
5.	South – Central / Yuzhen tsentralen (BG)	37%	75,6
6	Southeast / Yugoiztochen (BG)	40%	74,5
7.	North-East / Severoiztochen (BG)	41%	75,0
8.	Northeast (RO)	44%	74,6
9.	North Aegean / Voreio Aigaio (EL)	44%	82,7
10.	East-Macedonia / Anatoliki Makedonia (EL)	45%	81,1
11.	Northwestern Greece / Ipeiros	47%	84,0
12.	Northen-Great-Plain / Eszak-Alfold (HU)	47%	75,5
13.	Western Greece / Dytiki Ellada (EL)	48%	81,5
14.	French Guiana (FR)	48%	79,8 (2017)
15.	Northen Hungary / Eszak-Magyaroszag (HU)	49%	74,5
16.	Lubelskie (PL)	50%	77,8

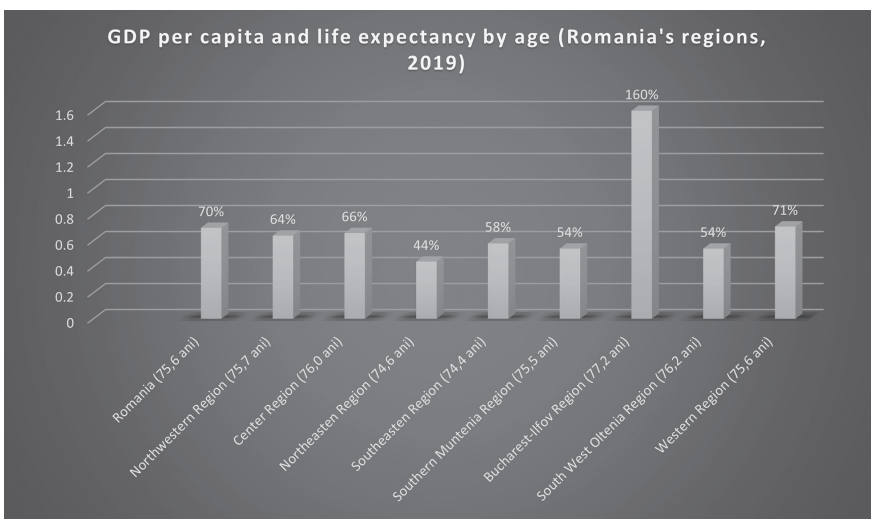
Source 1: http://ec.europa.eu/eurostat/web/nationa-accounts/data/database,
Source 2: ec.europa.eu/eurostat/databrowser/view/demo_r_mlifexp/default/table?lang=en

What the two tables tell us:

- There is a correlation between the level of income (GDP per capita) and the life expectancy at birth (a high GDP per capita indicates a high standard of living, a low one indicates that a country is struggling to supply its inhabitants with everything they need);

- People in rich regions live longer than people in poor regions. There's a strong relationship between GDP and life expectancy, suggesting that if we have more money is better;
- In the poorest regions of Bulgaria, Hungary and Romania, the lowest values of life expectancy at birth are also identified, in direct correlation with the values of GDP per capita (a life expectancy at birth of about 75 years);
- In Poland's poorest region (Lubelskie) we identified the lowest life expectancy at birth in in this country (77.8 years, 2020);
- In Mayotte (that recorded a GDP per capita of 32% of the EU-27 average) life expectancy at birth was 75.9 years, while in France the life expectancy was 83 year old;
  - In fact, the same is true for French Guiana, where at an GDP per capita of 48% of EU-27 average, life expectancy at birth was 79,8 years, well below the national average);
- In the poorest regions of the EU-27 (from Bulgaria and Romania) we have identified the lowest values of life expectancy at birth;

Figure 3: GDP per capita and life expectancy by age (Romania's regions, 2019)



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- As we can be seen from the Figure 3, in 2019, life expectancy at birth by age and sex in Romania ranged from 74,4 years (Southeasten Region) to 77,2 years (Bucharest - Ilfov Region);

- Bucharest - Ilfov region (richest region of Romania, that recorded a PIB per capita of 160% of EU-27 average), had in 2019 the highest life expectancy at birth (77.2 years).

Conclusions

- Interpreted from outside in a comparative key, income data do not tell us too much about the intensity of the dynamics of internal processes;
- Inside the society, the individual is interested in income because he is the one who gives him the social position, the social status, where is in relation to the others, the size of the gaps between him and the others;
- If we analyze and looking out inside of the societies we discover different levels of the social problems, invisible from outside; but which focus on the most important aspects of social life (health, education, infant mortality rate, premature birth rate, homicide rate, mental illness);
- A country is represented by the sum of these indicators. And each of these indicators correlates with life expectancy at birth;
  - In 2019 in Romania the percentage of 20% of the population with the highest disposable income was of 7.08 higher than the percentage of 20% at the other end of the spectrum;
  - Romania remains one of the poorest countries in the EU-27, with large disparities between regions in terms of development, with one of the highest Gini indicators (34.4%), with a very large cohort exposed to the risk of poverty, with an average life expectancy at birth among the lowest in the EU-27;
- The average well-being of societies is no longer dependent on the positive dynamics of national income or economic growth;
- **The economic growth was decoupled from well-being**;
- **There is a correlation between the level of income (GDP per capita) and the life expectancy at birth** (a high GDP per capita indicates a high standard of living, a low one indicates that a country is struggling to supply its inhabitants with everything they need);
- **People in rich regions live longer than people in poor regions. There's a strong relationship between GDP and life expectancy**.

References:

- The Gini coefficient is defined as the relationship of cumulative shares of the population arranged according to the level of equivalised disposable income, to the cumulative share of the equivalised total disposable income received by them.
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