

“ Road Podcast ”
Why Nobody
Feels Rich



Why Nobody Feels Rich: The Psychology Of Inequality

SHANKAR VEDANTAM, HOST:

This is HIDDEN BRAIN. I'm SHANKAR VEDANTAM. Let's say you make \$500,000 a year - that puts you in the top 1% of all Americans and far ahead of almost everyone else in the world.

(SOUNDBITE OF ARCHIVED RECORDING)

VICTOR ROJAS: That's out to right center field again, and...

VEDANTAM: But what if that \$500,000 salary comes from being a professional baseball player...

(SOUNDBITE OF ARCHIVED RECORDING)

ROJAS: ...Off bat. A throw right to
(unintelligible). The Angels, for the first
time this season, at home...

VEDANTAM: ...For the Los Angeles Angels?

(SOUNDBITE OF ARCHIVED RECORDING)

ROJAS: ...Pick up the victory tonight; the
final - 3-1.

(SOUNDBITE OF MUSIC)

VEDANTAM: When you look over your
shoulder in the locker room, you see this
other guy - Mike.

(SOUNDBITE OF ARCHIVED NPR
BROADCAST)

MARY LOUISE KELLY, BYLINE: To potential
news now of the biggest contract in
baseball history - today we learned that LA

Angels star Mike Trout is finalizing a deal to stay with that team for another 12 years and to earn \$430 million over that time.

(SOUNDBITE OF MUSIC)

VEDANTAM: Four-hundred thirty million dollars over 12 years, or \$36 million a year, which makes your \$500,000 look measly.

(SOUNDBITE OF MUSIC)

VEDANTAM: As we walk through the world, we are constantly comparing and contrasting our lives with those of others.

KEITH PAYNE: We think about ourselves in terms of being on a certain rung, with some people above us and other people below us. Where we think we stand on that

ladder tells you a lot about a person's life and their life outcomes.

VEDANTAM: This week on HIDDEN BRAIN, the psychology of inequality - how our predisposition to compare ourselves to others affects our minds and our bodies.

(SOUNDBITE OF MUSIC)

VEDANTAM: Keith PAYNE is a psychologist at the University of North Carolina. He's the author of "The Broken Ladder: How Inequality Affects The Way We Live, Think And Die (ph)."

Keith, welcome to HIDDEN BRAIN.

PAYNE: Thanks so much for having me.

VEDANTAM: I want to begin with a personal story that you've told in the book

and elsewhere, Keith. This goes back to your childhood, when you were in the fourth grade. You were standing in line at a cafeteria in your school, and you had your first visceral experience with the awareness of inequality. Tell me that story.

PAYNE: What had happened was we had a new cashier, a new lunch lady in the line that day. And when I got to the cashier's desk, she asked me for - I think it was \$1.25. And that was the first time that anybody had ever asked me to pay for my lunch because I had always been on free lunch. And - but I didn't know it because nobody had ever pointed it out or talked about it. And previously, the cashier had

just waved me on as part of the normal process. But this new person didn't know how things worked, and so she asked me to pay for my lunch.

And there was this awkward moment. I didn't have any money, of course, and I didn't know what to do about it. And so that moment of awkwardness made me suddenly realize that, wait - some of these kids have been paying for their lunch all along, and some of us haven't. And all of a sudden, it dawned on me why that was - that, you know, we got free lunch, that that meant that we were the poor kids and that that had never occurred to me before.

(SOUNDBITE OF MUSIC)

PAYNE: And so that awkward moment standing in the lunch line suddenly increased my awareness of not only the inequality in my classroom but the implications of what it meant to be one of the poor kids. And so I started thinking about myself differently. I started seeing my friends and my peers differently. And all of a sudden, this relative difference between me and the other free lunch kids versus those who paid for their lunch all of a sudden loomed larger than it ever had before, at least for me.

(SOUNDBITE OF MUSIC)

PAYNE: And the interesting thing is, you know, that it's not like I was poorer the day

after that than I was before - nothing objectively had changed - but because of that subjective awareness, now everything seemed different to me.

(SOUNDBITE OF MUSIC)

VEDANTAM: I want to talk about a wonderful analogy that you've explored in the book, and it really grows out in some ways of this conversation we're having about what happened in your school lunch cafeteria. Let's say I'm boarding a plane. And on my way to Seat 36J in economy, as I make my way down the aisle of a traditional plane, tell me what I see and how that affects me.

PAYNE: So usually, you enter at the front of the plane, and you're walking down the aisle, past the first class section with the large seats and the leg room, and everybody's already settled in because they boarded first. And you're walking past that to go to where I usually sit, which is in coach, right? So as you go to find your way, you're literally walking along this sort of status hierarchy that's laid out in front of you.

And so there's the wonderful study that shows the psychological and behavioral consequences of experiencing that kind of hierarchy embedded in the airplane. The researchers looked at data from millions of

flights to look at what predicted incidents of air rage - that is cases where passengers were unruly or disruptive or violent in some way - and they found that in planes that had a first-class cabin, incidents of air rage were several times more likely to happen than in flights that didn't have a first-class cabin, which suggests that to witness that inequality seems to have some kind of psychological effect on people that really ramps up the disruptive behavior.

VEDANTAM: Now, it's worth noting that planes with a first-class cabin might be larger, with more passengers and longer flights. More people and more time spent

in the air could also increase the likelihood of air rage. But there are some other indications that seeing the inequality between first class and coach does affect passengers. For example, some planes don't start boarding with their first class passengers; they board from the rear of the aircraft, and Keith says that makes a difference.

PAYNE: Yeah, there's a difference in the sense that, if you board a plane in the middle or at the rear and don't have to walk past the first-class cabin, there's a much lower incidence of air rage in the coach cabin.

VEDANTAM: I remember a scene in the movie "Bridesmaids." Kristen **WIIG** plays a woman named Annie. She's in economy, but all her friends are flying first class.
(SOUNDBITE OF FILM, "BRIDESMAIDS")

MITCH SILPA: (As Flight Attendant Steve)
Miss, you cannot be up here.

KRISTEN WIIG: (As Annie) Hello, Grandpa (laughter). I'm sorry; I just want to be here with my friends 'cause I'm with this group.

MAYA RUDOLPH: (As Lillian) The sign just went off. Can't she stay up here for, like, a minute and just talk?

SILPA: (As Flight Attendant Steve)
Absolutely not. Coach passengers are not

allowed up here in first class. It's policy. I'm
sorry.

WIIG: (As Annie) Oh, this is a very strict
plane that I'm on. Welcome to Germany.
Auf wiedersehen.

SILPA: (As Flight Attendant Steve) All right.

VEDANTAM: (Laughter) So, Keith, if all of
Annie's friends were in economy, she
would feel a lot better, wouldn't she?

PAYNE: Right. The feeling that she deserves
to be in first class because her friends are
in first class is really powerful because, you
know, if she didn't have any connection to
the people in first class, she might pay less
attention to them. And so it's that feeling
that not only do I not have something that

other people have, but I deserve that thing that other people have that makes that relative comparison so much more painful.

VEDANTAM: Why is it that the comparisons we make are invariably upward comparisons? So if the folks in coach are comparing themselves to the folks in first class, the folks in first class are probably comparing themselves to the folks who fly private jets.

PAYNE: There's a pronounced tendency we have to make upward comparisons in all areas of life. And it's not always the case. Sometimes, we compare downward or to other people who are similar to us. But we

have this pronounced bias to compare
upward.

(SOUNDBITE OF MUSIC)

PAYNE: And the reasons for that upward bias are not fully understood, but it seems to have something to do with the fact that upward comparisons, on the one hand, feel painful because you're comparing to somebody who has something that you don't, but on the other hand, they're also potentially inspiring, potentially motivating. And so they can sort of get you moving to work harder in some cases, as well. So there's something adaptive about it but also something painful.

(SOUNDBITE OF MUSIC)

VEDANTAM: I remember whenever, you know, there are stories in the press about inequality and you read the comments section, you will invariably find someone, you know, writing in from New York's Upper West Side saying, you know, a million dollars isn't what you think it is. It really doesn't get you all that much. I'm barely keeping up with all the people around me. But this is how nearly everyone feels at every income level.

PAYNE: That's right. And it's incredibly frustrating for ordinary people to read those kind of comments, but you can kind of see the psychology at work - right? - because if you're a middle-class person

being frustrated at that New Yorker saying that, just think about how you're viewed by other people who are not middle-class Americans - either they're people who live in poorer countries around the world, or they're people who are struggling to make ends meet in the United States. That same dynamic happens all up and down this - the income ladder.

VEDANTAM: Now, we increasingly live in a world where you have extremes of inequality. The richest, you know, hundred people in the world probably have more wealth than the bottom - maybe the bottom half of the people in the world. Tell

me about the title of your book. What do you mean by "The Broken Ladder?"

PAYNE: One of the images that I use throughout the book to capture the relative differences between people is this idea of a status ladder; that we think about ourselves in terms of being on a certain rung, with some people above us and other people below us. And where we think we stand on that ladder tells you a lot about a person's life and their life outcomes. And as the scale of inequality gets larger and larger, as it's been doing in the United States and other advanced economies around the world, it becomes harder and harder to climb that ladder for a number of

reasons. And so when the scale of inequality gets out of proportion to what we can psychologically handle, the ladder is essentially broken. It becomes harder and harder to occupy the rung that we think we ought to be on.

(SOUNDBITE OF MUSIC)

VEDANTAM: If we go back for a second to that moment in the school lunch cafeteria and something you said back then, which is, the moment after the incident was over, you were not objectively poorer than you were a moment before the incident took place, but you felt poorer. In the same way, if you extrapolate that across the whole economy, it might actually be that the poor

are not necessarily poorer than they were 50 years ago. They might not have gained very much or even gained anything at all. But they might feel poorer because the rich have gotten so much richer.

PAYNE: That's right. If you look at actual income changes over the last 40 or 50 years, the people in the middle group who we might consider sort of middle-class incomes haven't made any more or less on average than they did back in the 1960s and '70s. The poorest groups and the middle-class groups are basically staying the same. But that stagnation feels like people are falling behind by comparison to the top 20%, the top 10%, and the top 1%,

who have made so much more money over the last several decades. So staying in place feels like falling behind if other people are getting so much further ahead.

(SOUNDBITE OF MUSIC)

VEDANTAM: In other words, feelings of opulence and poverty are not merely shaped by objective facts. An individual making around \$50,000 a year is in the top 1% of all incomes globally. In the United States, people earning that much don't feel like 1 percenters.

(SOUNDBITE OF MUSIC)

VEDANTAM: When we come back - how these feelings affect our lives.

(SOUNDBITE OF MUSIC)

VEDANTAM: Keith, tell me what the experience of inequality does to our minds. Tell me about the range of different effects that you and others have identified in terms of what inequality does to the ways our minds work.

PAYNE: Inequality does a few different things to the way that both our minds and our bodies respond. One is that it makes us focus on the short term. It makes us impulsive, focused on the here and now. And it makes us more willing to seek out risks and engage in high-risk, high-reward sort of gambling behaviors. It also affects our bodies in ways that are similar to physical threats. So the social threat of

feeling lower on the status ladder than somebody else provokes very similar reactions physiologically to a physical stressor. So we react as if we were about to be physically attacked. We react with stress responses, as if we were about to face a literal physical challenge. And the total of all of those effects adds up to feeling that we're constantly in crisis.

(SOUNDBITE OF MUSIC)

VEDANTAM: Tell me about the difference in the homicide rate between countries that are equal and countries that are less equal.

PAYNE: If you look across countries, one of the strong predictors of homicide rates, as

well as other kinds of violent crime, is the level of income inequality in those countries. Now, we have to make an important distinction here between wealthy, developed countries and poorer countries because in poor countries, the best predictor of crime and lots of other bad health and social outcomes is actually poverty because we're talking about countries in which poor people may not have their basic physical needs met. But when we look at wealthy countries, like the countries of Western Europe and North America, poverty ceases to be the strong predictor of things like homicide rates, and inequality becomes the stronger predictor

because once people's basic physical needs are met, it becomes the relative comparisons to other people that becomes one of the major stressors that affect people.

VEDANTAM: Now, of course, it's important to mention that some of these findings are correlations. You're basically looking at patterns. You're not actually conducting an experiment where you're varying how unequal people are and then measuring the outcomes in things like homicide. But tell me about another correlation that people have looked at that has to do with politics, the relationship between inequality and political polarization.

PAYNE: If you compare either across countries or within the United States over time, you see a pretty strong correlation between the level of income inequality and the level of political polarization.

(SOUNDBITE OF MUSIC)

PAYNE: So it's not that inequality makes people more conservative or more liberal per se. It's that people who are already in those - on those sides go further into their corners when inequality is high.

VEDANTAM: What's driving the fact that people are retreating into their separate camps?

PAYNE: There seems to be a back-and-forth dynamic between how much money

people have and what they see around them and how certain they feel in their own opinions. So people who are wealthy tend to feel that they deserve it, and they earned it. And that tends to make them favor more sort of free market policies and ideologies. And people who are struggling, who are working hard to get ahead but can't seem to do so tend to feel like the market system is rigged against them. They favor more progressive taxation and redistribution policies. And both sides tend to think that the system is rigged largely by the other side. And so the spreading of inequality in terms of money has also spread apart our politics and increased our

confidence that we are right, and the other side are not only wrong but, you know, out to get us.

(SOUNDBITE OF MUSIC)

VEDANTAM: You know, as I was preparing for this interview, Keith, I came by this interesting study that Daniel Zizzo had conducted. He gave money to volunteers. Some got more. Some got less. And he found that volunteers were willing to spend their own money if it allowed them to reduce the money that other people had. Zizzo called this burning other people's money. And he found that a substantial number of people were willing to reduce their own wealth if they could also reduce

the wealth of other people. In other words, inequality has such strong effects on us that we are willing to make great sacrifices to level the playing field.

PAYNE: And from an economic point of view, that's just crazy behavior, right? But from a psychological point of view, it makes perfect sense because we're not judging these things the way an accountant or an economist would. We're thinking, what do I have compared to what that other guy has? And that relative sense of entitlement and having enough compared to what other people have is so powerful.

VEDANTAM: Keith, the researchers Michael Norton and Dan Ariely once asked

volunteers what kind of a country they would like to live in. The first option was a country where the top 20% own a third of the wealth and the bottom 20% own 10% of the wealth. Option two - the top 20% own 84% of the wealth. The bottom 20% own 0.1% of the wealth. What do the volunteers say?

PAYNE: Most people chose, by an overwhelming margin, the more equal option.

VEDANTAM: And, of course, this was not even a small difference. Ninety-two percent of Americans apparently chose the first option. And that first option doesn't look a lot like America, does it?

PAYNE: No. In fact, those pie charts that you just described were taken from actual data - the first one, which describes Sweden, and the second very unequal one, which actually describes the United States.

(SOUNDBITE OF MUSIC)

VEDANTAM: Almost universally, people preferred the first option to the second. The survey, which was conducted in 2005, found that of those who had voted in the last presidential election, 90% of those who voted for a Republican and 94% who voted for a Democrat said they preferred option one to option two. I ask Keith why this preference for equality doesn't get translated into policy. What explains the

mismatch between what we say we want
and what we do?

PAYNE: Well, the important thing in that study was that the charts demonstrating those different levels of inequality were not labeled, right? And so if you were to add the labels that this is the United States and that's Sweden, now people would start sorting themselves out and choosing the United States or Sweden based on their beliefs. And for those on the right, they see it through - largely through a lens of meritocracy where you work for what you get and you deserve whatever that outcome is, whereas people who are more on the left see it through a lens of fairness

and differential starting places. So the gulf there gets mixed up with lots of aspects of our identities, and that makes it very difficult to discuss.

(SOUNDBITE OF MUSIC)

VEDANTAM: So let's look at a specific example where perhaps conservatives and liberals will think very differently. The baseball player Mike Trout was recently awarded a contract worth nearly half a billion dollars. Let me ask you, Keith **PAYNE** - do you think the Los Angeles Angels are paying Mike Trout too much?

PAYNE: Well, if you look at teams, whether it's baseball or basketball, that have extreme levels of inequality, which are

driven by paying superstars astronomical salaries, they don't outperform other teams that have more equality. And that's counterintuitive if you think that paying the superstars huge salaries means that they're going to, you know, work harder and perform better. You would expect better scores and more wins. But, in fact, in team sports like that, higher levels of inequality and extreme pay for the superstars is associated with poorer performance in subsequent seasons.

VEDANTAM: And, of course, this idea might be explained by what you said earlier, which is that even if you buy the idea that maybe the superstar does perform very

well, the resentment and unfairness that others experience might come at a cost to the team's performance.

PAYNE: That's right. The team coordination seems to be a critical factor here. So extreme disparities like that overall tend to be destructive to teamwork and cooperation. So in team sports, that interferes with overall performance. Although in other kinds of sports, like golf or NASCAR racing, where it's just the individual performing their best, there, higher stakes, larger pay do seem to incentivize better performance for the individual.

VEDANTAM: So let's think about what happened to Mike Trout just a little bit more closely. Let's say that the Angels read your book and they decided, you know, we want to do away with inequality. And let's take the extreme thought experiment example where they basically said, we're going to pay everyone on the team the same amount. We're going to pay everyone - let's say there are 40 players on the team. Everyone gets \$4 million instead of some people getting \$500,000 and some people getting, you know, \$30 million. Do you think that would be a better outcome? And what kind of problems do you think it would cause if the Angels were to do that?

PAYNE: Well, there are tradeoffs here. So probably your highest-paid superstars would be very angry at that, and maybe they would leave the team, so that would be a problem. But if you had a more equal level of compensation, it would also increase teamwork and coordination, so that would benefit the team. So in most cases, the argument here is not for absolute equality so that everybody makes the same. It's that, you know, people should be compensated in proportion to their contributions. But the scale could oftentimes be much more compressed so that the superstar isn't making 30, 40, 50 times what other people are making and

could still be compensated in proportion to how much they're bringing to the team.

(SOUNDBITE OF MUSIC)

VEDANTAM: I want to switch gears just a little bit. The newspaper The Sacramento Bee published the salaries of every California state employee. What happened when people discovered that they were being paid less or more than other people who are working for the state of California?

PAYNE: The effects of learning what you made in comparison to what other people made depended on whether you were a high earner or a low earner to begin with. So people who were below average, when they learned that other people were

making much more than them - they felt very dissatisfied. People who were higher up, when they found out how well they were doing compared to other people, ironically, it didn't have the same effect. They didn't feel overjoyed at the fact that they were doing so well. Their reaction was just sort of neutral. So they weren't any happier, but the people at the bottom were made more unhappy.

VEDANTAM: So when you look at the example of The Sacramento Bee and the publication of the salaries, it raises a question in my head about whether transparency is a good thing or a bad thing. Obviously, as a journalist, I believe that

transparency is a good thing. But in this case, if you make salaries transparent, and then people end up quitting their jobs and leaving, is that a good outcome?

PAYNE: Well, I don't know whether transparency in pay itself is necessarily a good outcome or a bad outcome. But what I think transparency shows is the underlying assumptions that we have. So if you think that incentivizing good performance with very high pay is a good thing, then you would want your company to have full transparency, so everybody in the company could see that the superstars were getting paid a lot and that other people weren't getting paid so much. And

the people who are the poor performers are getting paid very poorly. If your idea is that pay inequity increases performance, you should want total transparency.

And yet what we have is a system in which most companies, most organizations want to keep their pay inequality secret, and then social norms are not to talk about these things, which means that at some level, we must kind of know that there's something else going on besides just incentivizing good performance. We know at some level that there's this negative feeling surrounding talking about differences in pay and that that's likely to have some bad outcomes, as well.

VEDANTAM: When you looked at the example of the aircraft studies that you told me about at the start of our conversation, you mentioned that in aircraft that do not board, you know, passengers from the front or aircrafts that don't have first-class cabin at all, you have fewer of these problems. Now, of course, you're going to have rich people and slightly less rich people on those airplanes, as well, but the differences are not visible. And those differences, therefore, don't translate into some of the problems that you are describing. It raises the question, again, if you have inequalities in a society, an organization, a community, are we

better off making them visible or better off keeping them invisible?

PAYNE: It's a good question. There's no simple answer because, on the one hand, when people are economically segregated and you have the wealthy living behind gated communities and very separate from the way ordinary people are living and the way poor people are living, it might be psychologically easier on the middle class and the poor people not to see that. But on the other hand, it creates a greater feeling of distance between the haves and have-nots and less of a feeling of community. And, you know, that leads to increased polarization and lower levels of trust. So

there is no simple answer in terms of whether we want highly visible or highly transparent inequality versus less visible and less transparent inequality because there's always a tradeoff at work between what feels good versus what has negative consequences down the road.

(SOUNDBITE OF MUSIC)

VEDANTAM: You're a psychologist, Keith, and you know that there are several small warehouses filled with studies that show that comparing ourselves to others is often a recipe for unhappiness. It's clear that at a societal level, we need to sort of take heed of the lessons of inequality, the psychological consequences of inequality.

Does that also translate to the individual level? Are individuals better off thinking about inequality or better off not thinking about it?

PAYNE: I think there's not really any option of not thinking about it because we're constantly making social comparisons to what others have around us to define what's normal and what's enough. But I think there are wiser and less wise ways to think about inequality and to make those social comparisons. So one of the things I recommend in the book is that we can be more strategic in making upward versus downward social comparisons.

We talked earlier about how people tend to, by default, make upward social comparisons to those who have more than them. But we can strategically make downward social comparisons also, right?

So instead of just thinking about what other people have, who have more than us, we can remind ourselves that, you know, there are a lot of people around who have less than us. And upward and downward social comparisons have opposite consequences. Upward social comparisons, as I mentioned before, feel terrible, but they can be motivating. Downward social comparisons feel great, and yet they can be demotivating.

So it depends on what your goal is. Do you want to feel - take a break from feeling stressed? Well, then, do some downward social comparison. Do you want to feel motivated and energized to go out and do more? Do some upward social comparisons.

(SOUNDBITE OF MUSIC)

PAYNE: So neither one is good in itself. It's just that we can be more mindful about the kinds of comparisons we're making on a daily basis.

(SOUNDBITE OF MUSIC)

VEDANTAM: Keith **PAYNE** is a psychologist at the University of North Carolina. He's the author of "The Broken Ladder: How

Inequality Affects The Way We Live, Think,
And Die." Keith, thanks for joining me
today on HIDDEN BRAIN.

PAYNE: Thanks so much.

(SOUNDBITE OF MUSIC)

VEDANTAM: This week's show was
produced by Parth Shah. It was edited by
Tara Boyle and Rhaina Cohen. Our team
includes Thomas Lu, Laura Kwerel, Jenny
Schmidt and Cat Schuknecht.

Our unsung hero today is Keith Woods.
Keith is chief diversity officer at NPR. He's
helped establish NPR's training program,
creating opportunities for journalists to
learn more about the craft of storytelling.
Keith is the epitome of the inclusive leader,

always ready to share his thoughts or to
lend a hand. Thank you, Keith.

(SOUNDBITE OF MUSIC)

VEDANTAM: For more HIDDEN BRAIN, you
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share it with a friend. I'm SHANKAR
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