Selfish Rich Inequality Hypothesis

What is the issue?

People's beliefs about why the rich are richer than the poor have the potential to affect both policy attitudes and economic development.

What is the Selfish Rich Inequality Hypothesis?

> *According to the hypothesis, the rich are richer than the poor because they have been more selfish in life than the poor.*

- The Gallup World Poll of 2018 demonstrates that the non-productive grabbing behaviour of the rich is mainly in countries with weak institutions, malfunctioning bureaucracy and corruption.
- Support for the selfish rich inequality hypothesis rises with the level of corruption and decreases with an individual's rank in the country's income distribution.
- As the age of the respondent rises, the belief in the rich inequality hypothesis becomes stronger.
- We also find that religiosity of an individual reinforces this belief.
- There is a strong negative association between the rich inequality hypothesis and state affluence (state affluence is measured in terms of net state domestic product per capita).

What factors support this theory?

- **Criminality and corruption-** A significantly large number of respondents are prone to believe that in an affluent state infested with criminality, the rich get richer through illegal, grabbing activities
    - Rich traders, for example, evade local taxes by bribing officials.
- However, the state corruption index, obtained from the *India Corruption Report (2019)*, is negatively associated with the rich inequality hypothesis.
- **Role of States-** The overall state political and economic environment conditions the principal (voters)–agent (public institutions in a State including the State government, judiciary and the police) relationship.
- The lower the trust/confidence in the agent, the harder it is to sustain growth, and maintain accountability and transparency.
- **Trust in institutions**- The rich are richer because they engage in non-productive grabbing behaviour in countries with weak institutions, stemming from a weak rule of law, malfunctioning bureaucracy and corruption.
- The trust in these institutions is marking a very rapid erosion and a sharp worsening of the inequality driven by the selfishness, criminality and corruption of the rich.

Reference

1. https://www.thehindu.com/todays-paper/tp-opinion/the-selfishness-and-graft-of-the-rich-drive-inequality/article65587936.ece

