

Referee 1

Report on "Reduction of Income Inequality and Subjective Well-being in Europe"

Synopsis

The paper examines how wellbeing relates to inequality and to changes in inequality. Inequality reduces wellbeing, it is found, and redistribution (inequality reduction) increases wellbeing.

Main Comments

The paper is written clearly and presents its arguments and results in a refreshingly straightforward manner. The main findings are not especially surprising, and are consistent with the existing literature. Nonetheless, there is value in the rigorous demonstration of these results.

Minor Comments

In the abstract and on p. 3 the authors develop a speculative narrative that is consistent with their results. It would be helpful at times to make clear that this narrative is purely the authors own speculation, rather than something the authors test.

In eq. (2) a relative measure of the change in inequality is proposed. Is this important, or does an absolute measure of inequality reduction lead to the same qualitative findings?

p. 5 Are the results sensitive to the choice of filter? Do the standard errors need to be adjusted to reflect the use of filtering?

p. 5 third para: Should be "we use it" rather than "we used it". Also "control for" at end of next para. On p. 7 under robustness, it should be "Columns 1 and 2". P. 11, should be "tolerance of"

Section 3. Some comparison to the size of other co-efficients in the literature might be helpful here.

The authors might want to investigate some of the approaches in psychology that make clear predictions regarding the expected relationship between well-being and inequality. In particular, range frequency theory springs to mind. The authors should consider whether this branch of literature is worthy of a mention. See, e.g., the below:

Hagerty, M.R. (2000) Social comparisons of income in one's community: Evidence from national surveys of income and happiness. *Journal of Personality and Social Psychology*, 78, 764-771.