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Abstract

Much has been made within the last 30 years of the relationship, or lack thereof, between income and subjective wellbeing. From a broad range of sources, income is suggested to have a positive, negative or negligible effect on subjective wellbeing, in either linear or non-linear form, depending on the measures and definitions used, leading to a dearth of clear-cut evidence explaining how income poverty affects individuals' wellbeing. In this paper I use a quasi-relative measure of poverty – defined as income less than 60% of the median (OECD, 2008) – to examine the differences in subjective wellbeing above and below that threshold. Using decomposition techniques, I suggest that poverty in this form does not have a large effect on individual subjective wellbeing, and that multidimensional poverty may have a greater impact.