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Abstract: Envy is a complex emotion that influences the behaviour of envious and envied individuals. Because envy can imply ill-will, discontent or dislike of the envied individual who possesses something that the envious individual desires, or aspiration to emulate the envied position, it can lead the envious individual to undertake costly efforts to reduce the gap between the envied situation and his own situation. The envious individual can seek either to damage or match the situation enjoyed by the envied individual. In return, the envied individual can adopt either envy-appeasing strategies or envy-arousing strategies. We argue that these costly envy-related behaviours impede or stimulate economic development.

Key words: behavioural economics, development, envy, institutions.

JEL codes: D6, H0, 01.
The Impact of Envy-Related Behaviours on Development

‘Envy is a drive which lies at the core of man’s life and as a social being, and which occurs as soon as two individuals become capable of mutual comparison’ (Schoeck, 1966, p.3).

1. The issue

Several reasons have been advanced to explain why some countries are more successful in their development path compared to others. Without debating the ways of defining and measuring growth, prosperity and economic development nor purporting to be exhaustive, the ‘two main candidates to explain the fundamental causes of differences in prosperity among countries are geography and institutions’ (Acemoglu, 2003). Despite its popularity in several circles, the geography hypothesis that emphasizes the key role of forces of nature (e.g., climate, natural endowments) in underdevelopment has been hotly debated in recent analyses (Bloom and Sachs, 1998; Acemoglu et al., 2002; Sachs, 2003; Rodrik and Sabramanian, 2003; Presbitero, 2006). The institutions hypothesis emphasizes the role of good institutions in serving economic prosperity (Street, 1987; North, 1990; Acemoglu et al., 2001, 2002; Acemoglu, 2003). For example, Veblen has proposed a distinction between instrumental and ceremonial institutions that can either lead to instrumental behaviour that is problem-solving behaviour, or to predatory and ceremonial behaviour that is wasteful. Many behaviours frequently result from a mixture of these two components and the role played by particular institutions in determining actions is a question of identifying what component instrumental or ceremonial dominates (Street, 1987; Bush 1987).

Without negating the previous arguments, most economic theories have not devoted sufficient attention to the role of moral and psychological factors. These factors are compatible with the institutions hypothesis that stresses the role of human influences and in particular the role of informal behavioural rules (e.g., norms, codes of conduct, routines) used for social interaction. Among possible
candidates, we contend that interpersonal comparisons in general and envy in particular are convincing micro-motives that can strongly impact macro-variables (Veblen, 1899). Despite its pervasiveness in human behaviour, envy remains frequently unmentioned and misunderstood in the economics literature, except some recent contributions (Mui, 1995; Kirchsteiger, 1995; Beckman et al., 2002; Fehr et al., 2008). Unlike the technical definition of envy used by many economists (e.g., Hammond, 1987) we emphasize the behavioural consequences of envy. Our main thesis is that envy-related attitudes and behaviours can either stimulate or impede economic development. Taking into account envy-related behaviour can help understanding mechanisms for different rates of growth.

Envious attitudes are pervasive in all societies and impact decision making (Foster, 1972; Schoeck, 1966; Beckman et al., 2002).¹ Envy draws from inter-individual comparison and generates a willingness among concerned individuals to influence the possible gap between their relative positions (Veblen, 1899), even at a cost for themselves. In economic terms, people do not envy because they are moral incompetents, they adopt certain envy-related behaviours (and not others) because the perceived benefits of envying in this way exceed the perceived costs. In sum, people adopt the envy-related behaviours from which they expect the highest net returns. From a social welfare viewpoint, envy can be desirable if it leads to pareto-improving outcomes.

The remainder of the note is organized as follows. For sake of exposition, the next section is devoted to the envy-related behaviours of envious individuals by distinguishing destructive envy from constructive envy. Building on the dominant type of envy, section 3 emphasizes the reactions of envied individuals that can either experience the fear of others’ envy or the desire of being envied.

¹ According to Russian Political Weekly (2004), ‘Michael Davies, executive producer of the TV game show ‘Who Wants To Be a Millionaire’, reportedly said that in the Russian version of the program, television audiences occasionally lie when contestants turn to them for help in answering questions, according to the weekly ‘Broadcasting and Cable’ on 26 April. ‘People over there can’t stand to see anyone win’, he concluded. While Davies may be misreading the audiences’ intentions, there is no denying that the destructive role of envy in Russian life is a well-documented phenomenon in literature, folklore, and jokes.’
a consequence, envied individuals adopt either envy-appeasing or envy-inducing behaviours that can have significant effects on development outcomes. Several real-world examples are provided to support our rationales. Section 4 provides some policy implications and avenues for further research and concludes.

2. Destructive envy versus constructive envy

An old Russian joke tells the story of a peasant with one cow who hates his neighbour because he has two. A sorcerer offers to grant the envious farmer a single wish. ‘Kill one of my neighbour’s cows!’ he asked. (Bailey, 2002)

An envious person feels unhappy if someone from his reference group has something he desires. Interestingly, the sense of fairness among people is frequently skewed towards egoism and people generally consider themselves ‘a little above average’ in most respects. Consequently they think they deserve more than they in fact do, which can lead them to envy when they see a person they consider equal to themselves enjoying a better situation. An envious person is likely to undertake efforts in order to reduce the gap between himself and the envied person. Reducing the gap may follow two distinct but non-mutually exclusive paths. First, the envious individual may invest in order to reach the position enjoyed by the envied individual. This strategy, labelled constructive envy, boosts efforts in order to reach the position of the envied individual. For Mandeville (1714) (see also Frank and Sunstein, 2001; McAdams, 1992), envy is a private vice that can have public virtues, for example, by motivating individuals to maximum exertion and effort. ‘The desire to improve one’s relative status is the engine that drives the economic train (…). Envy [is] functional in promoting hard work, accumulation and economic growth’ (Marglin, 2002, p. 23). This constructive envy shares features with the ‘emulation’ motive of Veblen (1899). For Veblen, ‘among the motives which lead men to accumulate wealth, the primacy, both in scope and intensity, therefore, continues to belong to this motive of pecuniary emulation’. While Veblen (1899) devotes considerable attention to emulation and
the desire of being envied by fellows and considers the society as organized on the principle of ‘keeping up with the Joneses’, he neglects how the willingness to reduce the gap between the envied and the envious can drive the later to undertake destructive initiatives towards the former. As argued in Aristotle’s Rhetoric, ‘emulation makes us take steps to secure the good things in question, envy makes us take steps to stop our neighbour having them’.  

Second, the envious individual may invest in order to reduce the position of the envied individual. This second strategy labelled destructive envy is prevalent in the theoretical and empirical literature (Schoeck, 1966; Kirchsteiger, 1995; Mui, 1995). In this case, the envious individual would feel better off if the envied person(s) becomes worse off in certain respects. He could ‘harm’ himself by spending his own resources in order to harm the envied individual. For example, Zizzo and Oswald (2001) report that people in the laboratory gave up large amounts of their cash to reduce others’ incomes. Using experimental techniques in a multi-country setting, Beckman et al. (2002; see also Mui, 1995; Fehr et al., 2008) show that opposition to Pareto gains may reach 60% in some transitional countries, due to envy and malice. In order to achieve a net welfare gain for the envious person, it must be the case that investments in harming others must not exceed the gap reduction achieved as a result. This rationality constraint can be satisfied by assuming a non-linear relationship between the amount invested and gap reduction achieved.

While the final result of the two envious strategies may seem similar (costly gap reduction between the envious and envied people), the implications are significantly different. We contend that the type of envy that people select depends on their relative costs and benefits that are themselves shaped by the formal and informal institutions in place. For example, early German laws were forbidding ‘envious building’ (Neidbau) defined as ‘when a prospective building is planned clearly to the detriment of a neighbour without pressing need or where such building has little or no purpose, while representing great damage, and loss of light and air, to the neighbour’ (Schoeck, 1966). These institutions can

protect individuals against destructive envy behaviours or/and encourage constructive envy behaviours.

3. The development consequences of envy-related behaviours

Envious individuals can undertake costly efforts either to reach the success enjoyed by the envied individual or to degrade the situation of the envied individual. In the first case, the envious individual considers the success of the envied individual as a positive signal of the situation he can reach. This constructive behaviour recalls Hirschman and Rothschild’s (1973, p. 546) ‘tunnel effect’ that ‘operates because advances of others supply information about a more benign external environment; receipt of this information produces gratification; and this gratification overcomes, or at least suspends, [destructive] envy’. The envious individual imitates the envied individual and invests resources in productive uses to reach the desired outcome. In the second case, the envious individual considers the success of the envied individual as something to damage, even at a cost for himself. Resources are not invested in productive uses, but are diverted to damage the other’s situation, e.g., by paying sorcery services.

In return, when envied people are threatened by destructive envy (e.g., the so-called evil eye), they can adopt several non-mutually exclusive strategies that can lead to the degradation of their situations. First, they can simply avoid success, because the costs of success are perceived to exceed the benefits, because of others’ envy. Schoeck (1966, p. 58 and references therein) reports several cases where institutionalised envy prevented farmers to introduce innovations or more effective practices because ‘no one dares to show anything that might lead people to think he was better off’. This behaviour pattern restrains development, unless envied individuals feel sufficiently protected against others’ destructive strategies. This (costly) protection can be found in formal institutions or through other artificial ways such as amulets and magical practices (Schoeck, 1966).

Second, successful and envied individuals can attempt to disguise or deny their success. By doing so, they divert some resources from productive uses and deprive potential followers of useful information
on the success route. A common avoidance-strategy in the village of Arimata (Colombia) is described as follows: ‘In this suspicion-ridden atmosphere any calamity is immediately attributed to the magic of an enemy who, through ill-will and envy, caused the trouble. The best prophylactic measure an individual can take, in all cases, therefore consists in not appearing enviable in the first place and in pretending to be poor, ill and already in trouble.’ (Reichel-Dolmatoff quoted by Schoeck, 1966, p. 69; Foster, 1972). Moreover, it is frequent in some countries that successful peasants disguised their true economic position by purchasing several smaller fields rather than a larger land piece to avoid envy (Schoeck, 1966). When destructive envy is not restrained and even encouraged or institutionalised, individuals who innovate and have an entrepreneurial spirit are stigmatized and sometimes punished by others. This threat can prevent people from doing something that will improve their relative position and lead to a negative sum game in terms of development outcomes. These effects may explain why incentive schemes based on individual performances are public information while individual performances remain secret to prevent destructive strategy by other members of the group (Bebchuk and Fried, 2003).

Third, envy-avoidance strategies can be complemented by apologizing for someone’s success in order to appease the envious individuals or by sharing the success fruits with envious people, like in the ‘cargo system’. The word ‘cargo’ refers to burdens ‘held by individuals within a community that consist of civil-religious duties that are to be carried out by the office holder. Office holders are required to use their own money to cover the expenses involved in carrying out these various duties, and often use all their savings in order to complete their terms’ (Caplan, 2005).³ Tyler (quoted by Caplan, 2005) has estimated that the cargo system can be assimilated to an informal tax of roughly

³ Commenting the results of an ultimatum game in a small sedentary, a small-scale agricultural society of South America, Gintis et al. (2003, p. 159) report that ‘the Mapuche’s social relations are characterized by mutual suspicion, envy, and fear of being envied. This pattern is consistent with the Mapuche’s post game interviews in the ultimatum game. Mapuche proposers rarely claimed that their offers were influenced by fairness, but rather a by fear of rejection. Even proposers who made hyperfair offers claimed that they feared rare spiteful responders, who would be willing to reject even 50/50 offers.’
80%, able to discourage a lot of entrepreneurship spirit. In the same vein, Caplan (2005; see also Gintis et al., 2003) speculated that this kind of high ‘informal envy tax in primitive tribes was an important reason why growth was so slow for so long’. Another related artificial mechanism for constraining envy is to maintain everyone at the same level, e.g., by levelling all incomes. This envy-constraint system neutralizes profit-making incentives because the residual claimant is always subject to discretionary expropriations. All these strategies share the features of diverting (monetary and non-monetary) resources from productive uses and discourage socially desirable behaviours, which could ultimately contribute to economic development. We do not expose all strategies aiming at coping with envy (e.g., belief in fate or luck) but we just want to show that these strategies are numerous and can greatly impact variables such as institutions and entrepreneurship spirit that shape economic development.

Conversely, when envied people lead envious people to invest in costly constructive efforts, the desire of being envied (rather than the fear) can become a strong motivation for successful people to publicize their successes. Veblen (1899) argued that one of the main ‘incentives to acquisition and accumulation’ is the ‘desire to excel in pecuniary standing and so gain the esteem and envy of one’s fellow-men’. By doing so, they disseminate information to others showing that success is reachable and eventually on how to succeed. Schor (1998) reports that ‘seventeenth and eighteenth-century Italian nobles built opulent palaces with beautiful facades and, within those facades, placed tiles engraved with the words ‘Pro Invidia’ [i.e., To Be Envied].’ Anecdotal evidence, like ‘virtual vacations’ or purchase of status conveying goods (van Kempen, 2003) supports the intuition that people want to be envied by other people and are willing to pay to arouse envy. These envy-inducing behaviours can lead fellows to develop desirable features like innovation and entrepreneurship. At the same time, these behaviours can also divert resources from basic needs and more productive uses and

4 ‘Irina, a young consultant in a Western company, loves boasting to colleagues about her trip to Argentina and showing off her tan and holiday snaps. The only thing is: she’s never been there. Doesn’t matter, according to the man behind this novel idea for arousing envy – fake trips with real side effects (Lapenkova, 2006).
simply lead to socially wasteful mutually cancelling expenditures on maintaining relative status positions (Frank, 2005).

Interestingly, Keong (2006) transcends the Veblenian intellectual corpus of invidious distinction of consumer goods at an individual level to micro-emulation of global capitalism at a nation state level. Based on a case study, he shows that Malaysia’s proclivity to emulate developed countries contributed to some extent to economic modernization but also gave rise to ceremonial wastes and inefficient uses of national resources. In a similar vein, Bohmer (2005, quoted by Peukert, 2006) argues that the material improvement in East Germany was not accompanied by an increase in the subjective feeling of well-being because people were involved in status rivalry. The East Germans attempt to emulate the way of living of their new relevant reference group, that is, the West Germans, and pursue envious comparisons which prevents ‘feelings of happiness and motivation for work’ (Peukert, 2006). Consequently, constructive envy does not automatically result in economic development per se, which requires additional conditions such as ‘efforts to substitute functional for ceremonial objectives in the operation of basic institutions’ (Street, 1987) and ‘the optimal use of resources in harnessing […] Veblen’s workmanship efficiencies’ (Keong, 2006).

4. Policy implications and concluding remarks

We made a strong case for different types of envy playing an instrumental role in development outcomes. We contend that envy attitudes and related behaviours are delineated to some extent by the expected benefits and costs. By modifying the relative costs and benefits of different forms of envy-related behaviours, policy-makers may attempt to minimize destructive envy while channelling it into positive behaviour (Schoeck, 1966). Ignoring envy in policy making can lead to flawed prescriptions. For example, according to the prevailing envy type in a given society, policymakers willing to promote growth cannot use a ‘one-size-fits-all’ policy. In societies dominated by constructive envy, helping exemplary leaders to emerge may emulate others to join them. Inversely, in societies dominated by destructive envy, policies based on exemplary leaders can render them targets of destructive envious persons. More egalitarian policies are likely to be more effective than policies
oriented towards leaders, unless there are mechanism to constrain destructive envy or provide sufficient protection to leaders. These effects may at least partially explain why policies transferred from developed countries to developing countries failed to promote a similar development path. The relative importance of each envy type is likely to affect policy outcomes. Interestingly, the relative importance of each envy type in a given country is not necessarily fixed over time and domains. We also assumed that envy always leads more or less directly to an outcome while, in reality, envy is often disempowered or repressed. Consequently, an important and intriguing issue relates to the detailed processes by which envy leads to outcomes and how institutions shape these outcomes. Without neglecting the ceremonial patterns of behaviour that can divert resources from their most productive use, identifying institutions able to transform destructive envy into constructive envy seems promising.

A natural extension is to investigate whether envy varies in type and magnitude among countries and discuss the impact of envy on income distribution and happiness. A popular story depicting American versus Russian behaviour seems to acknowledge such differences as follows: ‘One American farmer has a neighbour that just got a prize cow. A Russian farmer similarly has a neighbour with a prize cow. The American farmer’s dream: to have a better cow than the neighbour. The Russian farmer’s dream: that the neighbour’s cow dies’. In the same vein, introducing proxies for envy types in econometric tests seeking to identify the determinants of prosperity can indicate fruitful directions for further research. It might also be interesting to discuss the impact of envy on a national level such as countries competing with each others for the sake of national pride (e.g., the space race).

Moreover, envy is likely to vary in inter-ethnic comparisons. A contention of the authors (based on their own experience but that needs to be empirically validated) is that the same people may exhibit destructive envy towards an ethnic group and competitive envy towards another one for the same domain. Such feelings may explain why foreigners succeed more (or are perceived as being more successful) in some countries than native residents. The explanation can lie in the fact that foreigners

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5 Available at http://www.mail-archive.com/armchair@gmu.edu/msg01520.html (accessed December 23, 2008).
are not included in the reference group or are constructively envied whereas people from the same ethnic group are destructively envied. In addition, destructive envy at home may push individuals to go abroad to escape the destructive envy trap and find a less destructive environment, contributing to phenomena such as the brain drain. In sum, envy is a pervasive micro-motive that deserves more academic attention, especially by investigating the extent to which different institutions lead to envy-related behaviours that are conducive or detrimental to development and happiness.

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