



Will Joe the plumber envy Bill Gates? The impact of unflattering social comparisons on individual satisfaction and behaviour.

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Abstract

We investigate experimentally the impact of unflattering social comparisons on individuals' satisfaction and behaviour. More precisely, we focus on envy and explore whether envy is responsible for leading subjects to reduce others' income. In our experiment, subjects are randomly paired and receive an endowment. Then subjects have to report their satisfaction level after being informed of their own endowment and of their opponent's endowment. Finally subjects can choose, or not, to reduce their opponent's endowment incurring a personal cost. We observe: (1) most people report to experience envy by learning others' higher endowments; (2) although destructive decisions are predominantly undertaken by envious subjects, envy fails at predicting decisions to reduce income; (3) absolute difference between subjects' endowments affects individuals' satisfaction whereas relative difference modulates subjects' decisions to reduce others' income.

Key words: Destruction; Envy; Income Inequality; Interdependent Preferences; Social Comparison; Subjective well-being; Happiness.

JEL classification: C9, D6, H0, J0.

Introduction

Do you prefer to earn more than your colleagues even if it implies to receive a fewer absolute annual income or to earn a higher absolute annual income but less than your colleagues? When Solnick and Hemenway (1998) asked subjects to answer to that question they observed that the majority of subjects chose to be above average even if it implies receiving a smaller wage. By choosing to be above average, subjects clearly refused Pareto optimal situations. Such a negative behaviour is not an isolated phenomenon, many recent experiments corroborate this observation (Abbink and Herrmann, 2011; Abbink and Sadrieh, 2011; Abbink et al., 2008; Beckman et al., 2002; Zizzo and Oswald, 2001). Are social comparisons so important for subjects that they exert them to behave negatively albeit they incur a personal loss?

One can differentiate two lines of research. On the one hand, research on happiness, focusing on the impact of social comparisons on individual well-being, conveyed that others' situations affect individual satisfaction (Clark and Oswald, 1996; Easterlin, 1995; Ferrer-i-Carbonnell, 2005). On the other hand, experimental studies, focusing on individual behaviour, showed that social emotions (i.e. emotions triggered by social comparisons) generate specific behaviours (Abbink et al., 2008; Beckman et al., 2002; Bosman and van Winden, 2002; Bosman et al., 2005; Zizzo and Oswald, 2001). Then in order to explain why some subjects refuse Pareto improvements (see above), it would be tempting to argue that social comparisons, by affecting negatively subjects' satisfaction, push them to reject such improvements. Although the impact of social comparisons on specific contexts (Ultimatum game, Gift-Exchange game...) have already been examined, the direct relationship between social comparisons and individual behaviour is, to our knowledge, still unexplored. We still do not know if social comparisons, through their influence on individual well-being, could explain