

Investment, Saving, and Envy

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Beginning with a critical review of Hayek's "atavism of social justice" thesis, this paper suggests an alternative explanation of the widespread and increasing demands for social justice in contemporary society. While Choi (1993a) explores the nature of entrepreneurship and its tendency to incite envy, we focus here on the likelihood of saving and investment activities in a market economy to incite envy. Our analysis reinforces Choi's earlier understanding of the persistent hostility against commerce and the market system, adding to a systematic exploration of the factors that make the demand for social justice stronger or weaker.

Introduction¹

A half century ago, Hayek (1976)—observing a rising demand for so-called social justice—claimed that efforts to define it are misguided, and that one cannot pursue subjective ends like distributive justice while simultaneously remaining true to more concrete conceptions of justice, such as procedural, commutative, and restorative justice. Consequently, for Hayek pursuing social justice obstructs the "Open Society," and he pronounces that "the prevailing belief in 'social justice' is at present probably the gravest threat to other values of a free civilization" (Hayek 1976, 66–67). In a market economy, individuals are free to pursue their own interests through voluntary exchange. Yet the resulting distribution of wealth or income may prove unequal, even though the principles of procedural, commutative, and—when required—restorative justice are respected and observed. In a sense, then, while it might seem like nobody oversees the distribution of wealth or income in an open society, we are all in

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charge of the resulting distributions. When we participate in voluntary exchange, we are observing the principles of commutative justice, since each party remains at least as well off as he or she was prior to any transaction.

As Chafuen (2003) observes, this appeared obvious to the Scholastics of Salamanca. These Schoolmen, in their reflections on just wages and prices, extended the work of Aquinas and Augustine to make it clear that the just wage or price of something is simply the prevailing price indicated “according to the common estimation of the market” (Francisco de Vitoria, as quoted in Chafuen, 83). Taken this way, one may infer that individual market interactions drive the price toward its “just” price at the same time economists would say the market is converging on its “equilibrium” price. If this is the case, then any resulting wealth or income distribution is just in the procedural and commutative senses.

Yet critics of market outcomes overlook the myriad atomistic actions and inactions that generate distributions deemed “too unequal,” neglecting the fact that the other conceptions of justice are usually observed and respected along the way. This seems to be a perverse view: The rules are just, the transactions are just, bad actors must restore those they harmed, yet somehow the outcome is unjust.

Hayek underlines this point: “The appeal to ‘social justice’ . . . is no more than an insinuation that others ought to agree with our view without giving any reason for it” (Hayek 1976, 78). Indeed, when society grasps after something like “social justice,” the outcomes are likely to prove socially corrosive, since they will incite outrage from those who play by the rules, respect other people and their property, and leave society better off—through mutually beneficial exchange.

In practice, though, populist calls for social justice have been effectively used by special interest groups to reduce the competition they face, because people are frequently sympathetic to calls for social justice. Which raises an important question: Why? Why are the participants in voluntary market-based exchange—as well as a variety of nonmarket activities that are also fully voluntary—likely to be sympathetic to cries that outcomes are “too unequal,” even though they themselves created the outcomes they now regret?

As Choi (1993a) observes, Hayek suggests several possible explanations but ultimately lands on atavism as the source of contemporary attractions by people of goodwill toward social justice (Hayek 1978, 57–68). Hayek suggests that our instinctual attraction toward social justice is driven by evolutionary processes that hearken back to necessary habits and attitudes formed while societies were

smaller and—for purposes of survival—more communal and familial. He concludes that our internal evolutionary artifacts urge us to revert to such instincts, and inadvertently bring tribal instincts to the “Open Society” when, of course, neither the “Open Society” of 340 million people (in the US) nor the “Open Society” of eight billion worldwide is anything like a local clan.

Choi criticizes Hayek’s conclusion that contemporary clamoring for social justice is found in atavism, and does so along several lines. For example, Choi notes that the use of the word *atavism* itself suggests that such communal feelings were present in earlier periods, and then vanished for a time before reemerging in contemporary society. Citing Hughes (1991) and Bryce (1995), Choi states simply that “this is wrong” (332): Claims for social justice, and their consequent calls for government redistribution or regulation, have been present throughout human history. Choi concludes that it’s not the appetite for social justice that was absent for a period, but rather the absence of institutions that confer respectability on envy-driven demands for so-called social justice.

Choi (1993a) examines the nature of entrepreneurship and its tendency to incite envy. In part Choi concludes that claims for social justice will be compounded if the objects of envy include entrepreneurs—since most people do not understand the nature of entrepreneurship nor do they directly observe it. For the envious, then, entrepreneurial rewards may indeed seem like ill-gotten gains. It’s not difficult to identify evidence supporting this claim. Consider this tweet from Bill Clinton’s former Labor Secretary Robert Reich: “Anyone who has a billion dollars either exploited a monopoly that should have been broken up, got inside information unavailable to other investors, bribed some politicians, or inherited the money from their parents (who did one of the above)” (Reich 2019). While the Reich tweet is suggestive of crony capitalists chomping on cigars in dimly lit backrooms of disreputable establishments, there are other billionaires that critics of the market adore. Frequently found in entertainment or the arts, they include celebrities like George Lucas, Steven Spielberg, Oprah Winfrey, Michael Jordan, and Paul McCartney, who themselves have been critical of markets and their outcomes.

Of course, one might debate whether the celebrities mentioned above grew rich through entrepreneurship or via something like monopoly rents made possible through copyright laws. But we believe this is a false choice. To take one example, Paul McCartney is wealthy because he created music the world had

never known, and that the world was willing to pay for once it existed. The world didn't even know they would enjoy it before it existed, and neither did McCartney.

McCartney also skillfully purchased intellectual property rights to the right catalogs of music at just the right moment; this is the epitome of Kirzner's (1973) entrepreneur, whom we discuss later. Perceiving such opportunities to "buy low and sell high," and then acting upon them, is clearly entrepreneurial in the Kirznerian sense. While any investor could have done it, McCartney is the one who perceived the opportunity and followed through. In short, McCartney is rich because he did things no one else did: He wrote better music, took great risks along the way, found valuable collaborators, and invested in the right intellectual property at the right time.

While Choi points to naivete and mystery surrounding the entrepreneurial act as a source of envy, in the rest of this paper we apply a similar lens to the activities of savers and investors. In the same way that profits that accrue to an entrepreneur may seem mysterious to those who do not appreciate or directly observe entrepreneurial activity, interest income that accrues to the savers without whom capital investment would not take place may seem equally mysterious and perhaps ill-gotten. One author of this paper had a colleague at a prior institution who lamented those who "use money to make money"—as though they weren't, in fact, creating value through their saving, forgone consumption, and undertaking of risk. For such critics, "playing the stock market" isn't thought of as value-creating.

The outline of our argument proceeds as follows: The demand for social justice, which we equate with envy, arises in part because of the inability of the public to see investment income as legitimate. We then examine the nature of saving, investment, and the interest income that accrues to the savers. Successful investors see opportunities others do not, they put off current consumption, they assume risk, and they are not guaranteed a profitable outcome. If the public cannot perceive and/or understand the role of the investor, interest income may seem mysterious and unjust. Therefore, society may appear blind to the value created for society by savers and investors, because most members of society simply don't observe it directly or otherwise understand it. Any consequent demand for social justice will likely be an attempt to correct what is misperceived to be an unjust outcome.

I. The Mystery of the Market Process

As Choi notes, much suspicion and criticism of markets arise because many do not understand the nature of market processes. Even champions of the market—such as free-market minded economics professors—usually possess what is largely a theoretical understanding of the price system and the role of entrepreneurs and savers; often the most entrepreneurial things we have undertaken are earning PhDs or starting families. Yet, for Kirzner (1973), the primary driver of all economic activity is entrepreneurship. For Kirzner this doesn't mean that all economic activity consists of starting new business ventures; instead, it means that each person is constantly scanning the environment for potentially profitable opportunities within the boundaries of the law. This view of market processes suggests that freely functioning markets will relentlessly, through the insight of the entrepreneur, identify and correct inefficiencies and errors. Efforts to impede such entrepreneurial activities, whether large or small, will allow such inefficiencies to persist. Nevertheless, many people think or feel that market outcomes are unjust if they are too unequal—especially if they see themselves as “losers” in the process, even if they are winners, statistically speaking, but feel like they have lost too much ground relative to others.

Hence the market process seems to engender demands for social justice, perhaps motivated by envy. In this light one may view entrepreneurship and envy as representing a conflict between two human tendencies: the desire to improve via change, and the desire to preserve the status quo in the face of it. Tocqueville understood that human beings have an appetite for equality that can either be healthy or harmful. He writes, “There is in fact a manly and legitimate passion for equality that incites men to want to be strong and esteemed. This passion tends to elevate the small to the rank of the great. But in the human heart a depraved taste for equality is also found that leads the weak to want to bring the strong down to their level and that reduces men to preferring equality in servitude to inequality in liberty” (Tocqueville 2010, 89). Thus, at its best, a healthy passion for equality will lead to greater striving—including entrepreneurial striving—to join the ranks of the great. And at its worst, that passion for equality will lead to calls for social justice with the goal of toppling the mighty.

Now, market processes in theory are a different thing from the “democratic capitalisms” found in the real world. Even introductory economics textbooks acknowledge that most “market” inefficiencies result from government

interventions that drive markets away from the allocation of society's resources that society prefers most. Government-created monopolies and regulations distort price signals and lead to higher prices and less competition than we would otherwise observe. Such "government failure" is often driven by a rent-seeking "crony capitalist" who lobbies to manipulate the rules of the game to disadvantage existing and potential future competitors. Grand (1991) provides one overview of government failure. And Hayek (1998) also laments that an "enormous and exceedingly wasteful apparatus of para-government has grown up, consisting of trade associations, trades unions and professional organizations, designed primarily to divert as much as possible of the stream of governmental favour to their members" (vol. 3, p. 13).

Given the possibility that rewards—in real-world democratic capitalism—may be diverted from the meritorious to skillful, opportunistic cronies, it's reasonable to question whether those who envy the rich are envious of honest gains or ill-gotten ones. And it's reasonable to wonder just how prevalent ill-gotten gains might be. In our estimation our argument works best in economies that remain relatively less "cronyist." According to the *Economist* magazine's (2023) crony-capitalism index, countries like Russia, Malaysia, and Mexico make up three of the five worst nations when it comes to cronyism. At the other end of the spectrum, nations like the United States, Germany, and Japan fare much better. Thus, while there is cronyism everywhere, there seems to be much less of it in the countries that are also rated freest by the Fraser Institute's *Economic Freedom of the World* index, where the US, Germany, and Japan are all included in the "most free" category, while Russia, Mexico, and Malaysia fall short (Gwartney et al. 2022). Hence our argument fits best in free economies, which tend to be less cronyist and thereby reward honest, difficult, and risk-taking activity that—above all else—creates value for others.

II. Coming to Terms: Envy and the Market Economy

Though Choi (1993a) doesn't spend much time clarifying what he means (and does not mean) when he describes envy, it's helpful to define and explain envy and to differentiate it from other similar sentiments such as jealousy. Echoing Aristotle, Aquinas (1947) defines envy as simply a feeling of sadness or grief at another's good. Aquinas references John of Damascus (1898) who, following Aristotle, refers to envy as "pain over the good fortune of others" (2.14). For Aquinas, envy is simply the sorrow we experience when we see the good of

another in any sense that matters to us. This sorrow is sinful, and reverses the proper attitudes that Christians are called to have in scripture: “Rejoice with them that do rejoice, and weep with them that weep” (Rom 12:15, KJV).

It’s worth noting that envy is counted among the seven deadly sins in church tradition, along with anger, lust, sloth, gluttony, greed, and pride. These seven sins are referred to as the deadly sins because they were thought to be so infectious that once any one of them gained a foothold in the human heart they put in peril the prospects of an afterlife, likely leading to eternal death.

Note that envy is distinct from a similar concept, jealousy. When people tell you they are jealous of where you went on your vacation, what they really mean is that they are envious: They are sad that you had a great time and posted amazing photographs on Facebook. Jealousy, in contrast, is a term reserved for the alienation of a person or thing from its rightful possessor. Spouses are rightly jealous when the affections of their partner turn toward another. This is also why the biblical book of Exodus tells us that God is jealous when we become alienated from him, and explains the expression that a particular person might be jealous with his time, resisting the efforts of others to steal it away—perhaps through committee work.

In the literature of economics there are two popular conceptions of envy. The first requires an interpersonal comparison in which one person’s utility enters negatively into the utility function of another. This is the opposite of the way in which we normally think that interdependent utility functions work: that your happiness makes me happy myself if I care about your happiness. Here, another person’s happiness acts like a negative externality in your own utility function. And, of course, this interpersonal conception of envy sounds like what Aquinas had in mind. Early work within this conception can be traced to Duesenberry (1949) and Mishan (1960), but Brennan (1973) exemplifies this approach to envy in economics.

The alternative conception of envy in the literature of economics requires an intrapersonal consideration on the part of the potential envier. Following the tradition of Foley (1967), this literature defines envy as a situation in which an agent is said to envy another if the first agent would prefer the bundle of goods and services held by the second to the allocation held by the first agent at present. Note carefully that the utility experienced by the second agent is irrelevant to the concept. All that matters is whether the first agent would prefer

the second agent's bundle. If so, we say the first agent is envious. Varian (1974) and Feldman and Kirman (1974) illustrate this approach. This conception of envy isn't envy proper as articulated by Aristotle and Aquinas, but it's nevertheless useful for some purposes, since it renders the concept of envy somewhat more tractable than it might otherwise be.

Given that market mechanisms allow individuals to make personal gains by entrepreneurially exploiting opportunities that have gone unnoticed by others while, at the same time, yielding gains for others and society as well, it's to be expected that market outcomes will not be equal outcomes. And there are a variety of reasons we should not expect equality in market outcomes: Some of us are better at perceiving opportunities that have gone unnoticed by others and then acting on them; some of us are less risk averse than others and, as a result, will pursue riskier undertakings than others; some of us may simply work harder or longer than others; some of us might be naturally gifted in talents, skills, or beauty; some of us may possess greater resources in the present period due to either our own past efforts or, via bequests, to the past efforts of our ancestors; and some differences in outcomes may simply be ascribed to plain old luck. And, as we observe above, some of us are more talented at manipulating the state to redistribute income to ourselves.

To the extent that society focuses on the outcomes themselves rather than these drivers of the outcomes, society will be plagued with envy proper in the sense of Aristotle and Aquinas, and we can expect calls for social justice to be the visible symptom of such envy. This may prove especially true in democratic society, an arrangement in which the envious may simply vote to transfer resources from the objects of their envy to themselves—a fact not lost on the envious. As Tocqueville observes, democratic political systems may not only provide an avenue for such transfers; those systems may intensify envy precisely because democracy itself dangles the attractive bauble of equality in front of the envious, though always just out of reach. He writes,

Among democratic peoples, men easily gain a certain equality; they cannot attain the equality they desire. The latter retreats from them every day, but without ever hiding from their view, and by withdrawing, it draws them in pursuit. They constantly believe that they are about to grasp it, and it constantly escapes their grip. They

see it close enough to know its charms, they do not come close enough to enjoy it, and they die before having fully savored its sweet pleasures. (Tocqueville 2010, 946)

Choi (1993b) fuses Aquinas's inner sadness of envy together with malevolent desires on the part of the envious—hinted at by Tocqueville—in Choi's (1993b) formal definition of envy. According to Choi, envy includes not only inner sadness, but also a preparedness of the part of the envious to dispossess the objects of their envy. Such preparedness is understandable given the grief of the envious. An obvious way for the envious to ameliorate their sadness at another's good is to seek out ways to level unequal outcomes, and dispossessing the envied is one way to do it. As Tocqueville observes, democratic institutions are one possible channel through which such dispossession can take place. While private dispossession by the envious remains illegal, democratic dispossession does not—as Bastiat (1998) famously notes.

Schoeck (1966) points to democratically driven institutional arrangements such as progressive income taxes and estate taxes as evidence that society likely conceals and codifies that which would otherwise appear as brazen envy-driven dispossession. And according to median voter theory, beginning with Black (1948), such arrangements are politically stable equilibria since the median voter is not a high-income or wealthy voter. That is, even if a progressive income tax is alleged to be fairer than a proportional tax because higher-income earners pay a bigger share of their earned income in taxes, it is simultaneously true that there are many more low-income voters than high-income voters. Consequently, low-income voters can use the ballot box to guarantee that high earners foot most of the tax bill—whether it's fair or not.

Of course, critics of our argument here may contend that envy isn't very widespread, or it's not that bad, or it doesn't lead to malevolent actions—whether democratic or not. But there are two problems with this line of thinking.

First, envy is, after all, one of the deadly sins, along with anger, lust, laziness, gluttony, greed, and pride. If it wasn't that bad or widespread, there would be no reason to include it among the short list of sins so perilous they lead to eternal death.

Second, because envy is the only deadly sin that is internal to the sinner, it's hard to know when someone is envious. Further, data suggest people are, understandably, reluctant to admit they are envious. In a longitudinal study of

18,000 adults, Mujcic and Oswald (2018) asked subjects to rate, on a “one” through “seven” scale, how well the word “envious” described them. With “one” being “does not describe me at all,” 54 percent responded with “one” or “two.” Apparently, it’s more difficult for people to fess up to some deadly sins than others, especially since envy can be kept a secret, while sins like anger, gluttony, and sloth are directly observed.

Social scientists are aware that most of us don’t want to admit we’re envious; doing so would reveal that we’re not as nice as we present ourselves to be. So sometimes researchers use proxies like “income satisfaction” or “life satisfaction” to tease out unspoken envious attitudes. For example, Winkelmann (2012) finds that people are more likely to report high income dissatisfaction when they are surrounded by Ferraris and Porsches than when they are not.

Rawls (1971) recognized that the propensity of some social classes to envy others, and the willingness of envious groups to tear down others, may be framed as “justice”:

The upper classes . . . are envied for their greater wealth and opportunity; those envying them want similar advantages for themselves. . . . Then we may think of envy as the propensity to view with hostility the greater good of others even though their being more fortunate than we are does not detract from our advantages. We envy persons whose situation is superior to ours (estimated by some agreed upon index of goods . . .) and we are willing to deprive them of their greater benefits even if it is necessary to give up something ourselves. . . . So understood envy is collectively disadvantageous: the individual who envies another is prepared to do things that make them both worse off, if only the discrepancy between them is reduced. . . . The appeal to justice is often a mask for envy. (531–32, 540)

In sum, if market outcomes lead to differences in prosperity for different groups, church teaching suggests that individuals will be tempted to commit the deadly sin of envy. Rawls further observes that envious feelings can be between both individuals and groups that differ in their material prosperity, and that justice often serves as a disguise for malevolent actions. And Tocqueville notes that democratic redistribution will never quench the flames of envy. At the same time, most people report they are not envious when asked, yet report “income

dissatisfaction” when surrounded by others who are more prosperous. The preponderance of biblical, theological, sociological, philosophical, economic, and empirical evidence suggests it is more likely than not that people are envious when it seems like they have good reason to be.

III. Saving, Investment, and Interest Income

According to Choi, when people who work just as hard—in terms of hours, toil, etc.—as their more successful and entrepreneurial counterparts find themselves confronted with the resulting inevitable differences in outcomes regarding income and, eventually wealth, they may exhibit one of three possible responses to such outcomes. In the best of all cases, the person who is capable of understanding the genius behind the entrepreneur’s success will quickly have his or her own “Aha!” moment in which he or she asks, “Why didn’t I think of that?” or exclaims, “I could have thought of that myself!” and then join in with the other entrepreneurs, scanning the environment along with them. In this outcome there is no envy to deal with.

A second response Choi suggests is mimicry. In this case observers of the successful entrepreneur don’t fully understand the genius and insight behind the entrepreneur’s success, but they can see what she’s doing that’s working and what is not—replicating what is working and not attempting what is not. In either of these first two responses—which both readily admit that others may either know more or have more accurate perceptions of the world—society gains as entrepreneurial discovery and innovation spread rapidly throughout society. In such cases one may think of the market process as a relentless discovery procedure. Such replication lies at the heart of Paul Romer’s extensive work in endogenous growth theory. Romer (1994) provides a helpful overview of the development of endogenous growth analysis. Here, again, the response isn’t envy.

For Choi, the third possible response is envy. People don’t like to think that the reason they don’t measure up to others lies within themselves. Especially when it comes to the realm of entrepreneurship, it’s difficult for people who are not entrepreneurs to appreciate the role the entrepreneur has played in his or her own success. There are several reasons for this. First, none of us observes entrepreneurial acts directly. Consequently, we are likely to unfairly discount the unique role played by the entrepreneur in husbanding those fruits: his ability to see opportunities others cannot, his willingness put off current consumption,

his creative pitches to garner the support of venture-capitalist investors, and his pharmacy receipts for all the antacids he's purchased as he tries to stomach a bellyful of risk. In short, we discount the value created by entrepreneurs en route to their success, and thus we may be tempted into speculating that a successful entrepreneur (who is, after all, performing unseen work exploiting opportunities that others cannot see in the first place) didn't deserve his or her success, and must have used some dirty tricks or other unfair play. In such instances it may indeed seem like justice to make use of democratic institutions to rectify such suspicious outcomes. And this lies at the heart of Choi's paper.

If this observation is true—that the public at large doesn't directly observe the entrepreneurial act and, even if it did, it wouldn't understand what it's looking at—then critics of market outcomes will underestimate the insight, creativity, and ingenuity necessary to solve a host of problems, and cry foul at disparate outcomes they will perceive as unfair.

Our central argument in this paper, then, is that what is true for entrepreneurs in general is even more true for entrepreneurs working in the saving and investment space. Entrepreneurial activity of any kind is impossible unless it raises the financial capital necessary for undertaking projects.

We don't think it's a bold claim to suggest that even though few people can see the world through Kirzner's entrepreneurial eyes, most people concede that inventions they know best have histories that required someone dedicated to the task of bringing them to fruition. Something as simple as a Frisbee or a lint roller seems like no big deal once it exists, but the truly miraculous thing is that such inventions exist at all. While much entrepreneurship does indeed consist of making things better, faster, and cheaper, some entrepreneurship requires an entirely new vision. In such cases many observers realize that something revolutionary has taken place, but they have little sense of what was required along the way. Further still, many people are likely to assume that even if Steve Jobs hadn't figured out we needed smartphones, it was nonetheless inevitable that we'd all have smartphones now and they'd be just as good as the one in your pocket.

But this requires an interesting twist on Bastiat's (1995) "what is seen and what is not seen." In the case of our received inventions and innovations, what we cannot see is their absence had entrepreneurs not been free to pursue them. Because almost everyone has a smartphone now, they seem mundane. But what we cannot

observe is what society would have looked like otherwise. This is a critical point: If entrepreneurs lack the freedom to engage in entrepreneurial acts, the resulting society may be more equal, but it will likely be far less rich.

Let's then apply this line of thinking to the role of saving and investment in economic growth and development. Interest rates are prices, just like any other prices. And when they are free to move to their equilibrium or "just" price, borrowers can decide whether to borrow, how much to borrow, and how long to keep the money. On the other side of the market, interest rates send signals to households regarding whether to save out of current income, how much to save, and how long they should part with the money. Ultimately every saver is a household—whether a schoolteacher with a 401(k), a teenager with a savings account, or even Warren Buffet. And each saver has a unique time preference, and a unique appetite for risk.

Via a vast array of loanable-funds markets, entrepreneurial savers and entrepreneurial capitalists make plans and create value repeatedly—value that could not have been created otherwise. Garrison (2005) discusses the complexities of the saving-investment nexus. Retail firms borrow to finance current inventory, and they do it all the time. Other projects, like ones that unleash new technologies, take more time. But if they are successful, they will be immensely profitable. And they should be: Savers deserve to be compensated for the fact that they cannot use their own money during the term of a loan, and they need to be compensated for the risk they incur when they entrust their savings to other parties. But just like any other entrepreneurial risk-taking venture, the savers might make a little or a bundle. Or they might lose everything. And when it comes to envy and social justice, market critics tend to be the most critical of those who have earned the greatest return—when, of course, huge returns on investments signal only that tremendous value has been created. Yet most people don't realize that Steve Jobs couldn't have been Steve Jobs without willing investors who made it possible for him to turn visionary dreams into reality. And this is true for savers of all kinds, big and small: Their savings are the fuel that fires an entrepreneurial economy.

In the current macroeconomic policy environment, however, the price signals that interest rates should send to coordinate saving and investment over both long and short time horizons are frustrated by Federal Reserve interest rate manipulations in the pursuit of its own goals: "maximum employment" and "price stability." Given the critical role of interest rates in driving what gets produced, how,

and for whom, the Fed's efforts to use them to drive the short-term outcomes it cares about—rather than long-term flourishing—distorts the decision-making environment for savers and businesses alike. Hayek (2008) made this point eloquently in his 1931 *Prices and Production*:

The thing which is needed to secure healthy conditions is the most speedy and complete adaptation possible of the structure of production to the proportion between the demand for consumers' goods and the demand for producers' goods as determined by voluntary saving and spending. If the proportion as determined by the voluntary decisions of individuals is distorted by the creation of artificial demand, it must mean that part of the available resources is again led into a wrong direction and a definite and lasting adjustment is . . . postponed. And, even if the absorption of the unemployed resources were to be quickened in this way, it would only mean that the seed would already be sown for new disturbances and new crises. The only way permanently to "mobilize" all available resources is, therefore, not to use artificial stimulants—whether during a crisis or thereafter—but to leave it to time to effect a permanent cure by the slow process of adapting the structure of production to the means available for capital purposes. (275)

In short, Fed policy creates some accidental winners and losers, it reduces the longer-term flourishing of the economy, and it also diverts valuable resources into activities like "Fed-watching": anticipating where Fed policy may be headed to arbitrage the outcome in one's favor. The diversion of valuable time to "Fed-watching" is an example of Baumol's (1990) "unproductive" and even "destructive" entrepreneurship. People should be free to discover how to serve others—not driven to squander valuable resources to play guessing games with the Fed.

Nevertheless, saving remains a major driver of an entrepreneurial economy. Yet economists like Keynes ([1936] 2013) and his disciples, such as Samuelson (1948), paradoxically see saving as a hindrance to a stalled economy. The next section considers Keynesian thought regarding saving, investment, and—of course—envy.

IV. Keynes, Saving and Investment, and Envy

While Keynes, at least as far as we know, did not think explicitly regarding the challenges of envy to economic development, entrepreneurship, and the long-term enrichment of all, one can identify glimpses of such considerations in Keynes's writing. In one such instance, Keynes ([1936] 2013) points to the preference of currently employed workers to be laid-off rather than accept a nominal wage reduction—*unless their peers accepted similar wage reductions*—as a source of wage rigidity (14). And, in “Economic Possibilities for Our Grandchildren,” Keynes notes that envy-driven desires of vanity are one of our two main consumption desires (Keynes [1930] 1963, 4).

Nevertheless, due to its own form of myopia regarding saving and investment, the legacy of Keynes sells short the value creation that happens because of entrepreneurial saving. Keynes claimed that one of the challenges of the Great Depression was that people were saving too much, and that one way the economy might improve would be for people to overcome their pessimistic animal spirits and, in fact, spend more and save less. As Keynes states in the *General Theory*, “I should support all sorts of policies for increasing the propensity to consume” (Keynes [1936] 2013, 325). Keynes's notion came to be popularly known later as the “paradox of thrift,” owing to Samuelson's (1948) best-selling textbook:

The “paradox of thrift” is a paradox because in kindergarten we are all taught that thrift is always a good thing. Benjamin Franklin's *Poor Richard's Almanac* never tired of preaching the doctrine of saving. . . . What is good for each person separately need not be good for all; under some circumstances, private prudence may be social folly. Specifically, this means that the attempt of each and every person to increase his saving may . . . result in a reduction in actual saving by all the community. (270–71)

This thought was echoed when, in the aftermath of the September 11, 2001, terrorist attacks, the people of the United States anxiously turned to their president to guide them on what they should do in that hour of trauma and fear. He told them that if they wanted to serve their country in its time of need, they should go shopping (Bacevich 2008).

Thus, the Keynesian lens discounts even further the critical role of saving and investment in entrepreneurial undertakings that ultimately lead to long-term economic growth. For Keynes and his likeminded policymakers, saving is money

that isn't being used in the economy. In fact, Keynes ([1936] 2013) refers to the holding of liquidity in non-interest-bearing forms as "hoarding" (174). Consider also this passage from the *General Theory*:

There remains an allied, but distinct, matter where for centuries, indeed for several millenniums, enlightened opinion held for certain and obvious a doctrine which the classical school has repudiated as childish, but which deserves rehabilitation and honour. I mean the doctrine that the rate of interest is not self-adjusting at a level best suited to the social advantage but constantly tends to rise too high, so that a wise Government is concerned to curb it by statute and custom and even by invoking the sanctions of the moral law. (Keynes [1936] 2013, 351)

Of course, most economists know better. For example, there is nearly universal agreement that the astonishing success of the so-called Asian Tigers—economies such as South Korea, Hong Kong, Taiwan, and Singapore—owes much to their historically high rates of household saving. Rao (2001) points to a "virtuous cycle of saving, investment, and economic growth" as the driver of rapid and sustained expansion in these Pacific Rim economies. What land and labor cannot achieve on their own, saving and investment make possible.

Conclusion

Whether it's the Bernie Sanders phenomenon, the Occupy Wall Street movement, former President Biden's efforts to transmute the word "equity" to mean equality of outcomes rather than "fairness," or the significant platform currently afforded to Alexandria Ocasio Cortez, there is a general sense that there is something wrong with the people who get "too rich." They must be scoundrels, and even though we buy their products and services, we have a sense that they don't deserve the funds we have willingly handed them—repeatedly—because they make our lives better. Of course, not every dollar earned in a market economy is an honest dollar, and an increasingly large regulatory state tends to concentrate market power in the hands of a few large firms who can afford to purchase power and influence, and who can also afford to be compliant with new regulatory requirements when other potential competitors cannot.

What might society do in such circumstances? If entrepreneurs of all kinds, including savers and investors, create value and make the world a better place, how can we ensure they have the freedom to do so? Building on Choi (1993a),

it's helpful to consider various factors that might make envy, and corresponding cries for social justice, more or less likely. First, *to the extent that economic interactions are viewed as zero-sum games in which one person's gain is perceived as another's loss*—rather than as both (1) mutually beneficial to the parties directly affected and (2) generally beneficial to society more broadly—*then diverse economic outcomes are likely to engender envy* and be decried as unfair. Choi (1993a; 1993b) observes that if the pie really is a fixed size and anyone is getting richer, then it must be at someone else's expense. On the other hand, if agents understand how the price system functions beyond a naive “zero-sum game” mentality, then feelings of envy will likely be less intense.

Recent research affirms this. Bergeron et al. (2023) find that zero-sum perceptions are associated with lower levels of happiness and life satisfaction. And Chinoy et al. (2026) find that zero-sum mindsets augment desires for restrictive immigration policies and government redistribution.

Second, *envious feelings are more likely in cultures that either highly esteem equality as a desirable social outcome or where social groups have been materially quite equal for much of their history*. In this context, even slight movements away from perfect equality can cause feelings of envy. To the extent that society aspires to a goal of true equality of outcomes, the more intense feelings of envy—and consequent calls for social justice—are likely to be. And if a group historically has known only equality—even if that historic equality was equivalent destitution—then even slight advances by some relative to others are likely to engender envy.

Third, *to the extent that social processes are viewed as relatively deterministic, even slight deviations from traditional customs or expected outcomes will trigger envy*, since people are likely to be suspicious regarding such changes. In contrast, people may be willing to accept outcomes that differ from their Bayesian expectations if they are willing to allow for the possibility of random disturbances such as accidents or luck—whether fortunate or unfortunate.

Finally, *to the extent that individuals are myopic in their consideration of economic outcomes, they are more likely to foster envy in their hearts*. If people's focus each day is where everyone else stands compared to themselves, then every day will likely be a miserable day for those who are less well off. However, to the extent that they view today's arrangement as ephemeral, and that what really

matters is how well individuals and society are doing over the longer term, then short-term differences are likely to draw less attention and thereby lead to less envy.

It seems, then, that a precondition for ongoing social flourishing lies in clearly defined and enforced property rights—whether those rights are to land, home, investment portfolios, or bank accounts. Without such institutions, capital accumulation, discovery, and prosperity for all will slow as entrepreneurs, savers, and investors alike undertake fewer of the activities that create value in the service of humanity. As Dorothy Sayers (2004) has put it, envy “is the great leveler. If it cannot level things up, it will level them down” (94). And as Mitsopoulos (2009) demonstrates, people are more likely to improve their own conditions when property rights are secure, and more likely to take from others when they are not.

Yet for reasons noted above, secure property rights alone do not reduce the propensity to commit the sin of envy, nor do they forestall the use of democracy to tear others down lawfully. After all, we know gluttony is a sin yet we eat too much. Even so, we shouldn’t surrender to such sin. The same is true with envy.

Hayek (1976) understood there is no unified view of what constitutes “social justice” and, consequently, claims to social justice will prove disruptive rather than harmonizing—including among all special interest groups that claim that theirs is the unjust outcome that warrants correction. Once one group persuades enough voters that coercion is necessary to bring about their unique vision of a “just” outcome, every other group will cry foul because what is “socially just” for one group is unlikely to be perceived as “just” by other competing interests. Hayek writes,

The chief insight we must hold on to is that not always when a group of people have strong views about what they regard as their claims in justice does this mean that there exists (or can be found) a corresponding rule which, if universally applied, would produce a viable order. It is a delusion to believe that whenever a question is represented as one of justice it must be possible to discover a rule capable of universal application which will decide that question. Nor does the fact that a law endeavours to meet somebody’s claim for justice prove that it is a rule of just conduct.

All groups whose members pursue the same or parallel aims will develop common views about what is right for members of those groups. Such views, however, will be right only for all those who pursue the same aims, but may be wholly incompatible with any principles by which such a group can be integrated into the overall order of society. (137)

Ballor and Claar (2013) have suggested that there is a vital role for society's moral and cultural institutions to remind all of us that (1) envy is deadly sin—or, at least, socially corrosive—and (2) unequal wealth can be generated through processes that are not only just but also socially beneficial. Hence our focus should be on reducing the sadness of the envious, rather than reducing the meritorious goods of others. Of course, government can play a role, whether through policy itself or through political rhetoric. And government should be slow to promote “social justice” unless it is quite sure it can, as Hayek advises, do so in a manner consistent with general principles that promote social well-being overall—and not merely promote the current demands of noisy groups, who possess political power, at the expense of other groups.

As with any other sin, we also possess powerful spiritual and cultural resources for fighting envy. The family and the church can do much to remind all of us that the economy is not a zero-sum game, and that global income distributions are narrowing—rather than widening—as an outgrowth of the market process. We can remind each other of the “Golden Rule,” and of the many biblical injunctions against envy. And, most important of all, we need to make sure we create a “safe space” for those who are struggling with envy in their own hearts, for whatever reason, to confess their sin to other believers.

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