# Forum

## The Lure of Luxury


### Opening the Debate

*Paul Bloom:* Most people own things they don't really need. It is worth thinking about why.

### Responding

*Virginia Postrel*

*Nicholas A. Christakis*

*Debra Satz*

*Joel M. Podolny*

*Judith Levine*

*Susan A. Gelman*

*Shamus Khan*

*David Cloutier*

*Bruce Hood*

*Will Wilkinson*

***Reply: Paul Bloom***


*Monday, November 2, 2015*

I love Armani suits for all the reasons Paul Bloom mentions: they feel terrific; they make me look good; they have a provenance.

When I buy one, I do not feel that I am joining the Armani club, but I know Bloom is right: many objects with a history allow us to signal that we are members of a group. By way of our evolved psychology, such signaling may in turn elicit warm feelings of identity and cooperation with individuals we perceive to be kindred spirits. But when we see that others lack our luxuries, we don't play nice with them. That is a problem.

Psychologists have demonstrated that humans and many primates have intrinsically egalitarian preferences. So how are we to explain the widespread inequality we observe? The very visibility of wealth appears to be a crucial factor: it is *seeing* inequality that erodes the social fabric, not inequality itself.

**Nicholas A. Christakis**

Director of the Human Nature Lab at Yale University

## Visible wealth makes people less cooperative.

My lab recently studied about 1,500 subjects in small, artificial, online societies. We randomly assigned people to rich and poor roles within three social networks with different levels of inequality as measured by the Gini coefficient. In one group, the Gini coefficient was 0, corresponding to perfect equality (everyone was given the same amount of wealth); in another group it was 0.2, a low level corresponding to the level of inequality in Scandinavia; in the third it was 0.4, a high level corresponding to the level in the United States. We also created a second set of societies with the same levels of inequality but in which wealth was invisible. To simulate economic transactions, we observed how these different societies performed over several rounds of a cooperation game.

Our findings surprised us: inequality itself did not adversely affect cooperation, social connections, or overall economic growth in these experimental societies. When wealth wasn't visible, all three groups converged over the course of the game to about the same low level of inequality, around 0.16 on the Gini scale. But when we made wealth visible, people became as much as 50 percent less cooperative, less friendly, and less rich—regardless of the initial level of inequality. Moreover, in circumstances of relative equality, the rich responded to visibility by engaging in fair transactions with their poor neighbors, but in a more unequal world, the rich responded to visibility by exploiting their neighbors.

These findings suggest that when it comes to economic inequality, ignorance is bliss. Perhaps this should be our policy. There are medical examples where the imposition of ignorance has become a clinical strategy, if not a policy, and not just when information is withheld from patients as in days gone by. For example, the discovery that patients undergoing colonoscopy rate their experience based on the last few minutes of their procedure—no matter how unpleasant or long the procedure was—has led to the widespread practice of giving patients a potent opioid at the very end. The reality of patients' condition could have been quite painful, but they are tricked into not remembering or caring about it.

So maybe the Leviathan should not force equality upon us, via redistribution, but blind us to the reality of our condition. It may be a depressing thought, but consider some examples already in practice. A school uniform policy is a blinding strategy: it prevents students from certain displays of wealth and likely has a number of benefits, including enhanced cooperation. Or consider the policy of pay secrecy in firms where compensation can be very unequal: concealing information about others' salaries may reduce envy and division, albeit possibly at the expense of addressing equity.

In short, the luxuries of others matter if we can see them.

Our results also have interesting implications for the "endowment effect," the property that people tend to value things more merely because they own them. My collaborators and I have found that the Hadza hunter-gatherers of Tanzania reveal no special attachment to owned items *except* when members have had contact with formal markets. What explains this? Hunter-gatherers have very limited wealth, and any such wealth is more equal and necessarily visible. This suggests that *comparison* in an *unequal* world may be a prerequisite for the endowment effect. And the mere ability to choose to hide or display wealth might influence the extent to which inequality and cooperation arise in social groups.

Bloom is quite right that our desire for luxury involves more than aesthetic or comparative pleasures. We rightly see value beyond the surface properties of things. But comparisons are still important—if not to us as individuals, then to society as a whole.