

Chapter 6: Envy and Greed, Properly Placed

"There are few ways in which a man can be more innocently employed than in getting money."

— **Samuel Johnson**, *Boswell's Life of Johnson* (1775)

The modern political temperament insists on speaking about greed and envy as if both were self-evidently economic pathologies. Greed is denounced as the engine of capitalism; envy is politely renamed “justice,” “equity,” or “redistribution,” then treated as a virtue. The rhetoric is tidy. The reality is not.

Greed and envy are not policies. They are motives. They do not build institutions; they operate inside institutions. Their social consequence depends on what the surrounding rules reward, restrain, and punish. In a system that protects property and enforces contract, greed is largely channelled into production: to get rich, one must offer something other people want at a price they accept. In a system that tolerates corruption and grants discretionary power, greed turns predatory: to get rich, one captures regulators, bribes officials, and extracts rents from those without protection.

Envy, by contrast, is almost always sterile. It does not produce a surplus. It does not generate competence. It does not build capital. It is an emotion of comparison, not an impulse of creation. Its political usefulness lies precisely in that sterility: it can be mobilised without requiring the hard work of growth. It can be satisfied by subtraction. It can be dressed as compassion while functioning as punishment. It offers a form of heroism available to the unaccomplished: the moral condemnation of accomplishment.

This chapter is an attempt to place these vices correctly. Not as cartoon villains, but as predictable human tendencies whose consequences are determined by institutional design—and whose misplacement in political rhetoric has become a reliable method for destroying ladders while claiming to widen them.

Greed: the motive is constant; the output depends on the rules

Greed, in its mild form, is the desire for improvement: more security, more comfort, more status, more options. It is woven into human nature. To pretend otherwise is to replace economics with theology.

The question is not whether greed exists. The question is what greed must do in order to succeed.

In a competitive system with enforceable property and open entry, the quickest way to satisfy greed is to serve others: produce better goods, lower costs, invent tools, build services, reduce risk, increase convenience. The pursuit of profit becomes a discipline. One's greed is harnessed by other people's preferences. The seller must persuade the buyer. The buyer can say no. That "no" is civilisation's quiet veto.

In a captured system—where licensing restricts entry, where zoning restricts housing, where regulation becomes a moat, where political access determines outcomes—greed seeks easier paths. It buys influence. It seeks monopoly. It demands subsidy. It shifts from production to extraction, because extraction becomes more profitable than innovation.²⁵

So greed is not a sufficient indictment of markets. It is an indictment of bad institutions.

This is why moralising about greed is usually a substitute for institutional analysis. It flatters the speaker by implying that the only thing wrong with the world is other people's appetites. It avoids the harder truth: that a society can make vice lucrative by arranging its rules incorrectly.

Greed's two faces: production or predation

Greed becomes productive when it is forced to compete. It becomes predatory when it is allowed to capture.²⁶

Productive greed

²⁵ **Acemoglu & Robinson (2012)**, *Why Nations Fail*. The central thesis: "extractive institutions" (which concentrate power and limit entry) incentivize elites to extract wealth rather than create it, while "inclusive institutions" (secure property rights, open markets) align private incentives with public prosperity.

²⁶ **Baumol (1990)**, "Entrepreneurship: Productive, Unproductive, and Destructive," *Journal of Political Economy*. William Baumol's classic framework distinguishing between entrepreneurship that expands the production frontier (innovation) and entrepreneurship that focuses on rent-seeking (lobbying, litigation), depending entirely on the "rules of the game."

Productive greed is restrained and redirected by competition and the rule of law. It produces wealth by creating value for others. Its signature is innovation, efficiency, and lower prices. It is greedy, yes—but it is forced to be useful.

Predatory greed

Predatory greed thrives where power can be purchased and entry can be blocked. Its signature is rent-seeking, corruption, cartel behaviour, regulatory capture, and the transformation of the state into a revenue stream for the connected.

The same motive. Two different institutional outputs.

The political impulse is to condemn greed as if denunciation were reform. But denunciation does not change incentives. Institutions do.

Envy: politically useful, economically sterile

Envy is the desire not to have what another has, but to have the other not have it. It is comparison as grievance. It is the refusal to measure the self against reality—skills, effort, timing, risk—preferring instead to measure the self against another's outcome and treat the gap as insult.

Envy can be natural in small doses; it can function as aspiration. But political envy is different. Political envy does not say, "I want to rise." It says, "I want him lowered." It does not demand opportunity; it demands a verdict. It does not ask how wealth is made; it assumes wealth is taken. It collapses every success into suspicion and every difference into injustice.

Economically, envy is sterile because it cannot answer the question that makes policy serious: **how do we increase output per person?** Envy wants redistribution without production. It treats wealth as a static pile. It treats the economy as a courtroom rather than a workshop.²⁷

Politically, envy is useful because it provides a renewable moral fuel. It can be activated whenever someone rises. It requires no competence to wield. It is emotionally satisfying precisely because it bypasses the discipline of building.

This is why envy is the favourite vice of demagogues. It can be mobilised against an always-available target: the visible winner.

²⁷ **Alesina & Rodrik (1994)**, "Distributive Politics and Economic Growth," *Quarterly Journal of Economics*. Shows that high inequality often leads to political demands for redistribution; when these demands result in high taxation on capital accumulation, growth slows. It empirically links the "politics of envy" (distributive conflict) to lower long-run prosperity.

Envy's policy signature: levelling instead of ladders

A society committed to uplift asks: what blocks entry? what prevents competence? what restricts housing? what keeps wages low? what makes education fraudulent? what makes markets captured? what keeps the poor from owning property and forming stable households?

A society captured by envy asks: who has more? how do we take it? how do we punish it? how do we make the distribution feel morally satisfying?

The first set of questions builds ladders. The second flattens outcomes.

Levelling has a peculiar psychological sweetness because it produces visible results quickly. Taking is faster than building. Confiscation is easier than reform. Punishment has the aesthetic of action. Structural changes—zoning reform, licensing rollback, competition policy, regulatory simplification—are slow, technical, and boring. They do not provide a villain to boo.

Envy-politics therefore substitutes a theatrical redistribution for a functional ladder.²⁸

It is not that redistribution never occurs. It is that envy-driven redistribution becomes a substitute for competence-building policy. It becomes a way to avoid the hard work of enabling the poor to climb.

Envy's rhetorical tricks

Envy rarely announces itself. It arrives in disguises.

Disguise 1: "Fairness" as outcome parity

Fairness is redefined as sameness of outcome rather than fairness of rules. This redefinition smuggles coercion into the argument, because equal outcomes require policing difference.

Disguise 2: "Excess" as an empty category

The word "excess" is used as if it described a measurable economic waste. In practice it often means "more than I am comfortable seeing someone else have." "Excess" becomes a moral adjective masquerading as an analytic term.

Disguise 3: "They can afford it"

²⁸ **Congressional Research Service (1992)**, *Luxury Excise Tax: Issues and Options*. Analyzed the 1990 US luxury tax on yachts, private planes, and furs. Found that the tax raised little revenue but devastated the boat-building industry (putting thousands of blue-collar workers out of jobs), leading to its repeal in 1993. A textbook case of "visible winner" targeting hitting "invisible workers."

This phrase is the anaesthetic. It invites the listener to stop thinking about second effects. If the target can “afford it,” the policy must be harmless. But affordability is not the question. Incentives are.

Disguise 4: “No one needs that much”

Need is a category error in a system built on voluntary exchange. Markets are not organised around need; they are organised around preference and value creation. The moment “need” becomes the state’s organising principle, the state must decide what others are allowed to want, keep, and build.

Envy is politically useful precisely because it teaches people to stop asking how production happens and start asking who deserves what.

The institutional danger: when envy becomes law

Envy becomes economically destructive when it migrates from sentiment to statute.

Once envy is codified, success becomes precarious. Capital becomes cautious. Entrepreneurs plan exits. Innovation slows. The system drifts toward rent-seeking because the safest returns come not from building, but from political protection.

This is how envy strengthens predatory greed: by making productive greed hazardous and political capture rational.

The moral crusade against “greed” often ends by entrenching the very form of greed it should fear: the greed that seeks control rather than customers.

Greed, envy, and the two economies: market versus political allocation

In a functioning market, greed must persuade.

In a politicised economy, greed must influence.

Envy accelerates politicisation because it demands that outcomes be corrected by power. Every correction expands discretion. Every discretionary system invites capture. Capture rewards predatory greed. Predatory greed provokes more envy. The cycle tightens until the economy becomes a battlefield of factions competing for claims rather than a cooperative system producing goods.

This is the deeper reason envy is economically sterile: it does not merely fail to produce. It poisons the environment in which production occurs.

The moral inversion: condemning wealth while excusing the causes of poverty

Envy-politics is also intellectually lazy because it treats wealth as the only visible fact worth interrogating. Poverty becomes a rhetorical prop. The poor are used as moral cover while the policies that actually trap them—housing scarcity, licensing barriers, credential inflation, crime, unstable money, captured regulation—are left intact.

This produces a grim irony. A society can loudly condemn inequality while institutionalising immobility. It can deliver speeches about dignity while keeping entry closed. It can denounce “the rich” while ensuring that only the connected can become rich.

Envy is excellent at making speeches. It is useless at fixing bottlenecks.

The practical distinction: uplift policy versus levelling policy

To keep this chapter from becoming a purely moral essay, the distinction can be stated operationally.

Uplift policy does at least three things:

1. It increases the poor’s access to stable housing and safe neighbourhoods.
2. It reduces barriers to work, trade, and enterprise.
3. It strengthens the institutions that make long-term planning rational: stable money, enforceable property, predictable rules.

Levelling policy does at least three different things:

1. It targets visible winners for punishment.
2. It redistributes claims without expanding output.
3. It expands discretionary power to manage outcomes.

The first set builds ladders. The second set builds dependence and conflict.

A serious political economy cannot be indifferent to this difference. It determines whether a society grows richer or merely grows angrier.

A final clarification: the opposite of envy is not indifference

Rejecting envy-politics does not require worship of the rich. It requires sobriety about causality.

A society can recognise that some fortunes are built by innovation and service, while others are built by capture and corruption. The proper response is not to moralise about “wealth” as a category, but to attack corruption and protect open entry. A society that wants fewer oligarchs should dismantle the mechanisms that create them: capture, monopoly privileges, and exclusionary regulation.

Envy is a poor substitute for competition policy. It punishes outcomes while leaving mechanisms untouched.

Greed becomes less dangerous not when it is denounced, but when it is forced to compete under fair rules. Envy becomes less dangerous not when it is suppressed, but when people have genuine ladders—because aspiration replaces resentment when rising is possible.

The Lesson Line

A society does not become fair by punishing success; it becomes fair by making success accessible to anyone willing to earn it.

Chapter 6 Notes

[1] Productive vs. Predatory Greed William Baumol, "Entrepreneurship: Productive, Unproductive, and Destructive," *Journal of Political Economy* (1990). The definitive framework distinguishing between entrepreneurship that expands the economy (innovation) and entrepreneurship that extracts rent (lobbying/litigation), determined entirely by the institutional "rules of the game."

[2] The Cost of Envy Politics Alesina & Rodrik, "Distributive Politics and Economic Growth," *Quarterly Journal of Economics* (1994). Empirically demonstrates that high inequality fuels political demands for redistribution; when these demands result in aggressive taxation on capital accumulation, long-run growth slows, hurting the poor.

[3] Luxury Tax Failure Congressional Research Service, *Luxury Excise Tax: Issues and Options* (1992). Analysed the 1990 US luxury tax on yachts and private planes. It found the tax raised negligible revenue but caused a collapse in the domestic boat-building industry, costing thousands of blue-collar jobs before its repeal in 1993.

[4] Extractive Institutions Acemoglu & Robinson, *Why Nations Fail* (2012). Establishes that "extractive institutions" (which limit entry and concentrate power) incentivize elites to extract wealth rather than create it, while "inclusive institutions" align private greed with public prosperity through open markets and property rights.

Governing Claim Greed and envy are not policies, but motives whose social consequences depend entirely on institutions. Greed can be harnessed into production (serving others) or predation (capturing the state), whereas envy is economically sterile—it seeks to level outcomes rather than build ladders.

The "Hazlitt" Examples (Primary)

1. Luxury Taxes (Envy Policy Backfires):

- o *Claim:* Taxing luxury goods (yachts, furs, jets) punishes the rich and raises revenue without harming the poor.
- o *Hidden Assumption:* Demand for luxuries is inelastic and the rich cannot change their consumption habits.
- o *Mechanism:* The rich stop buying or buy elsewhere; the tax revenue collapses, but the industries producing the goods (boat builders, factory workers) are devastated.
- o *Lesson:* A policy designed to punish a visible winner often destroys the jobs of invisible workers.

2. High Top Marginal Rates (Behavioural Response):

- o *Claim:* "They can afford it"—we can tax income at punitive rates without altering economic activity.
- o *Hidden Assumption:* High earners will continue to produce, invest, and report income exactly as before, regardless of the penalty.
- o *Mechanism:* Productive effort is replaced by avoidance strategies; capital flees to lower-tax jurisdictions or shifts into tax-sheltered (often less productive) assets.
- o *Lesson:* When you punish productive greed, you do not get less greed; you get defensive greed and capital flight.

3. Tariffs & Political Allocation (Visible Job Theatre):

- o *Claim:* Protecting domestic industries saves jobs and creates fairness.

- o *Hidden Assumption:* The jobs saved in the protected industry are the only ones that matter; higher costs for everyone else are irrelevant.
- o *Mechanism:* Political allocation replaces market allocation. Greed shifts from satisfying consumers (competition) to satisfying politicians (lobbying/capture).
- o *Lesson:* When business success depends on political protection, the economy becomes a battlefield of factions rather than a workshop of production.