

Bias from Envy/Jealousy

Envy and jealousy made two of the Ten Commandments, and for good reason. Buffett: "It's not greed that drives the world, but envy." Anyone who has raised siblings, or run a law firm or an investment bank or even a faculty is familiar with this issue. -Charlie Munger

This article is part of a [multi-part series](#) on human misjudgment by Phil Ordway, managing principal of [Anabatic Investment Partners](#).

Update

Munger ponders the evolutionary process of seeking often-scare food in the face of competition and conflict as a source of envy/jealousy.

Anyone who's worked in a corporate setting, particularly in the finance industry, knows all about this. Nothing brings out the inner cave man of a slick, well paid Wall Streeter like "**bonus season**." It doesn't matter that in the very recent past a man would have been happy with a bonus of \$1 million or \$10 million. If he finds out that the guy next to him got more all other considerations are out the window. This is also how we get executive compensation that is so out of control. The executive compensation consultant comes in - with a boatload of incentive-caused bias, of course - and always recommended that the board pay its executives in the top quartile/decile of its peer group. And the metrics usually get massaged, and the peer group itself gets massaged, so that the targets are often achieved regardless of merit. And even still there are many executives who see that the people they think of as peers are getting paid slightly more, and they go berserk. So the consultants ratchet things up and the whole process repeats itself. This cycle of envy is a major reason why Buffett refuses to disclose the pay of his managers at Berkshire unless legally required to do so.

Envy/jealousy plays closely with social proof. Purchases of homes, cars, and luxury goods are often reliant on these two psychological tendencies. "**Keeping up with the Joneses**" is as old as human civilization.

Much of the power of **Facebook and Instagram** also derives from these two tendencies. I describe Facebook as the world's greatest envy generator. The younger crowd might also be more familiar with a related principle: **FOMO**, or fear of missing out. That tendency is made worse by the jealousy/envy, and it's also tied to deprivation super-reaction syndrome. In general I haven't found any better laboratory for studying man's irrationality than social media, especially in the form of comments and replies to tweets and Facebook posts.