

## **Aspirations: A Review** (Ray and Genicot, 2019)

The phrase “the grass is always greener on the other side” depicts how humans constantly compare themselves to others. A strand of research explains this phenomenon with the concept of aspirations. Setting high aspirations, like having the best garden, will lead to frustration as someone else will be better. Setting a low aspirations could lead to satisfaction, because there is someone who is worse. Even though social comparisons and aspirations sound intuitively in human behavior, classical economics has yet to take them into consideration.

### **One Sentence Summary**

A review of novel economic literature on aspirations, explaining how economists think about them and their potential effects. Through a simple framework, they link aspirations to inequality and growth, fertility decisions, group conflict, and risk-taking, providing new insights to economic thinking.

### **Main Findings**

People aspire different things, and there’s a huge variety of aspirations across and within individuals. Some may aspire to be rich, while others aspire to eat every day. The authors defined aspirations as a self-imposed<sup>1</sup> threshold to achieve (an amount wealth or food). They point out that aspirations are dynamic. In other words, an individual can change their aspirations depending on the time and context.

The authors define three main characteristics that shape aspirations. First, the individuals own state can maintain or increase aspirations. Someone with high wages will aspire to have higher wages than someone on the minimum wage. Second, past aspirations have an important role when considering future aspirations. For example, when people lose their job, they aspire maintain their spending habits. Third, the status of others will shift aspirations. A immigrant from a developing country arriving in a developed one will aspire for higher real wages, because their new society earns higher wages.

The relationship between aspirations and happiness is ambiguous. For instance, the combination of high aspirations and high levels of wealth will inevitably decrease happiness. Following the immigrant example, they aspire to higher wages and in one year obtains them. The next year, she aspires for an even higher wage and so forth. Eventually this aspiration will not be meet and she will become frustrated. Even though the immigrant is better than his initial point (pre-immigration), they lose happiness because of their high aspirations. Therefore, setting an extremely high expectation will certainly end in frustration. Meanwhile, low aspirations are not ideal either. For example, talented low-income individuals could be discouraged from perusing high education due to low aspirations. Hence, the best option is to set controlled aspirations and, hopefully, on near-future objectives.

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<sup>1</sup> Either by the individual or its context.

How controllable are aspirations? There are somethings that are outside of the individual and government control. Context like family, network and close neighborhood heavily influences aspirations. All of them are hard to change. Social and traditional media can shape aspirations providing role models. However, the effects of role models can be negative or positive. On one hand, movies can set unachievably aspirations for poor individuals, leading to constants frustrations. On the other, representation of minorities on politics and social media could raise their low aspirations. In the latter example, a government could introduce a minority quota on public positions to improve aspirations on minorities. Lastly, individuals can control aspirations by monitoring their media consumption or seeking help in form of therapy. Still, the individual influence on aspirations seems weak at best.

Adding aspirations to classic economic models yield interesting results. For example, the classical model for inequality and growth predicts that inequality levels remain constant in the long-run. When aspirations are introduced, inequality levels can remain constant or become ever expanding. They also argued that poor people are more unhappy than rich ones because of their lower wealth and their higher frustrations. Both results enhance the arguments for maintaining economic growth while decreasing inequality by targeting the lower tail<sup>2</sup> of the income distribution.

### **Concluding Remarks**

Like scarcity research<sup>3</sup>, a better understanding of aspirations could provide novel and interesting policies to reduce the effects of inequality. For example, providing relatable role model to talented low-income students could incentivize them to participate in higher education. Aspirations could be a critical piece in the puzzle to solve the ever growing problem of multidimensional inequality.

### **References**

- Ray, D., Genicot, G., 2019. Aspirations: A Review. <https://debrajray.com/wp-content/uploads/2019/09/GenicotRayAR.pdf>.

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<sup>2</sup> Technically I'm referring to the left tail of the income distribution.

<sup>3</sup> For some One-page Econ summaries please check Some Consequences of Having Too Little (One-page econ #2) and Poverty Impedes Cognitive Function (One-page econ #9).