

18th Winter School on Inequality and Social Welfare Theory – Canazei 2025

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Lecture Title: *Aspirations, Inequality, and Social Conflict: Understanding Non-Linear Reactions to Rising Inequality*

Lecture Description:

This lecture explores the role of socially determined aspirations in shaping individual behavior, economic inequality, and social conflict. Building on the theory developed in prior work by the two co-investigators, we examine how society influences individual preferences through the formation of reference points, or *aspirations*, which act as thresholds between perceived success and failure. Aspirations can serve as both a source of motivation and frustration: while attainable aspirations can drive growth, excessively high aspirations may lead to stagnation and disillusionment.

A central focus of the lecture will be the interplay between aspirations, economic development, and inequality. In particular, we analyze *orthogonal reactions* to high and rising inequality—responses that are misdirected away from the root economic causes of inequality. For instance, rather than triggering class-based conflict, rising inequality can give rise to phenomena like racism, xenophobia, and scapegoating. We discuss how such responses emerge within a multidimensional aspirations-based framework. When economic aspirations become unattainable under conditions of severe inequality, individuals may abandon those goals and turn their frustrations toward other dimensions of their aspirations, such as identity or status-based objectives. This dynamic can lead to animosities directed at other marginalized groups, often exploited by political leaders who provide “second-best” outlets for social discontent.

The lecture will also consider the rarity of direct class conflict in the face of rising inequality and the broader implications of aspirations-driven behavior for economic policy and social cohesion. By connecting aspirations, inequality, and conflict, this work sheds light on how economic and societal forces interact to influence individual agency, collective tensions, and the persistence of inequality itself.

Readings

Genicot, G. and Ray, D. (2020). [Aspirations and economic behavior](#). *Annual Review of Economics*, 12.

Garance Genicot and Debraj Ray “Inequality and Aspirations”. *Econometrica*, Econometric Society, vol. 85, pages 489-519, March.

<http://www9.georgetown.edu/faculty/gg58/aspirations.pdf>

"[Identities in Conflict](#)" with [Debraj Ray](#), *Handbook on the Economics of Conflict*, forthcoming