

OUT OF POSITION: Against the politics of relative standing

Zero-sum positional conflict is avoidable in a liberal market society, argues **Will Wilkinson**

HL Mencken once quipped that, ‘a wealthy man is one who earns \$100 a year more than his wife’s sister’s husband.’ Writing last April on the definition of poverty in *The New Yorker*, journalist John Cassidy takes the logic of Mencken’s satire of low-grade *ressentiment* fully seriously and plumps for its liberal application to public policy. Cassidy argues that it is indeed a hardship to make less than your wife’s sister’s husband—or your co-worker, your next door neighbour, or anyone within the same national boundaries—and proposes that for the purposes of government ‘poverty’ be defined in terms of relative rather than absolute deprivation. In particular, he suggests that the poverty line be set at half the value of the median income. ‘If poverty is a relative phenomenon,’ Cassidy writes, ‘what needs monitoring is how poor families make out compared with everybody else, not their absolute living standards.’¹

While capitalism does in fact produce *absolutely* egalitarian results—enabling the poor to own

high-quality mobile phones, microwaves, and cars functionally equivalent to those of the wealthy—it cannot, critics say, manufacture more and better ‘positional goods’, to use economist Fred Hirsch’s term, because, basically, it is impossible to fit more than ten percent in the top ten percent.² No matter how trusty, safe, comfortable, and efficient your new Hyundai Accent may be, the fact that is within the grasp of so many will keep it from signaling that you inhabit the commanding heights of society. And that’s what you really want, isn’t it? To be king of the mountain?

Policy arguments like Cassidy’s that pivot on the alleged importance of relative position rather than absolute opportunity and wealth, are now much in vogue—on the left, at least. The politics

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of relative position is the egalitarian welfare statist's new favorite game. Richard Layard, head of the London School of Economics Centre for Economic Performance and member of the British House of Lords, argues that considerations of relative position justify regulating and even censoring advertising, for it makes us feel bad to see people who own things we cannot afford, and even if we can afford them, having them wouldn't make us happy.³ British epidemiologist Richard Wilkinson claims that low relative income is a direct cause of illness, and that equalising income redistribution ought to be reconceived as a 'public health' measure.⁴ Cornell University economist Robert Frank argues in rigorous detail for a steep consumption tax designed to dampen the alleged enthusiasm for zero-sum status races through the display of opulence.⁵ 'Every time [some people] raise their relative income (which they like),' Layard writes, following Frank, 'they lower the relative income of other people (which those people dislike). This is an "external disbenefit" imposed on others, a form of physical pollution.'⁶ The solution? Slap a tax on 'the polluting activity'—you and me working hard to get a raise—in order to get us to play more and produce less.

Are these arguments any good? Does our taste for relative position help vindicate egalitarian social democracy? The answer is no. A more benign and scientifically adequate picture of human nature, together with a more up-to-date notion of 'externalities,' show the politics of relative position to be a non-starter.

Happiness, position and pollution

The politics of relative position encourages us to see life as a competitive climb up a ladder of status. If there can only be one person per rung on any dimension of status or rank, then each step up the ladder for one person logically requires a step down for another. You can't make space for an eleventh restaurant or university on a 'Top Ten' list, just as two runners can't both come in first. Competition for higher position is a paradigmatic zero-sum game. So if inherently scarce positional goods like ladder-rank are highly valued, then whenever you get a raise, a promotion, or a swank new suit, it will create a shower of negative psychic consequences that rain on those occupying the rungs below. So the story goes.

According to Layard, Frank and others, we fiercely value positional goods because we fiercely value status—the ultimate positional good. This explains, they posit, why average self-reported happiness has not gone up over time, though wealthier people at any time are more likely to be happier. Higher relative standing makes us happier, but the middle of the income distribution is the middle, no matter how big the number. So there simply is no avoiding the positional downside of every positional upside. But, they argue, we cannot simply shrug off the inevitable cruelty of a world

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in which our interests are in irreconcilable conflict. Policy must take human nature seriously, and do what it can to help. We should take the dismay and anxiety caused by zero-sum competition over positional goods just as seriously as sludge dumped in a stream, the roar of jets at a nearby airport, or other classic examples of negative spillover effects (or 'negative externalities') of economic activity.

In addition to the 'harms' caused by any upward positional move, Frank and Layard worry about the negative effects of positional 'arms races'. If I try hard to move up the positional ladder, the people just ahead will try harder still to maintain their lead. In the end, we're all likely to be about where we started in terms of relative position, but we'll all be exhausted by the futile dash. As an illustration in several of his papers and books, Frank highlights the signalling function of fashion:

[I]f some job candidates begin wearing expensive custom-tailored suits, a side effect of their action is that other candidates become less likely to make favorable impressions on interviewers. From any individual job seeker's point of view, the best response might be to match the higher expenditures of others, lest her chances of landing the job fall. But this outcome may be inefficient, since when all spend more, each candidate's probability of

success remains unchanged. All may agree that some form of collective restraint on expenditure would be useful.⁷

Perhaps Frank has yet to hear about Overstock.com, where you can buy a \$1,000 suit for \$300. In any case, he argues that it is often impractical or impossible for individuals to negotiate a truce, so a trusted third party—the state—must step in and impose a price cap or a tax on fancy suits (or cars, houses, or whatever) in order to mitigate the ‘harm’ caused by the self-defeating attempt to get ahead.

The intractability of zero-sum positional competition for Frank and Layard flows from a rather nasty conception of human nature involving a universal, inflexible, deep-seated, status-seeking instinct together with a remarkably narrow, materialistic range conception of how positional competition is culturally mediated. Theirs is a distressingly agonistic vision of the human predicament in which life is irremediably brutish and nasty, if not short. ‘The desire for status is utterly natural,’ Layard writes. ‘But it creates a *massive problem* if we want to make people happier, for the total amount of status is fixed . . . If my score improves, someone else’s deteriorates.’⁸ Your heel is always on someone’s neck, but you can hardly help it. Primates will be primates.

Status-seeking missiles

In our original evolutionary context, Frank argues, higher rank individuals would have greater access to material resources and the highest quality mates, increasing the proportion of their genes in future populations. Therefore, Frank concludes, ‘it would be strange indeed if the relentless forces of natural selection had not honed a human brain that strongly motivated its bearer to seek high rank.’⁹ Mother nature has made us, like other primates, status-seeking missiles.

Layard recognises this line of thought may sound ugly to certain ears, and so imagines a ‘libertarian’ who objects that public policy based on our status-fixation affirms and rewards an ‘ignoble sentiment [like envy] that ought to be disregarded.’ He responds:

This is an extraordinarily weak argument. Public policy has to deal with human nature as it is. The desire for status is after all

ubiquitous, and we all recognise it. Greed is also common, and libertarians do not disallow it. Both sentiments are features of human nature. We are not perfect, and public policy should help us make the best of what we are.¹⁰

Layard is concerned to get us to take the inescapability of status-racing seriously, or else his argument for taxes on positional ‘pollution’ will fall apart. He’s right that we must deliberate about policy ‘taking men as they are and laws as they might be’, as Rousseau put it. And we should not be surprised to find that our theory of human nature will largely determine which laws and institutions seem feasible and desirable. However, while Frank and Layard’s forays into speculative evolutionary psychology are better than ‘extraordinarily weak’, they don’t amount to a state-of-the-art conception of human nature ‘as it is’. Taking men as they really are is the downfall of the politics of relative position.

Status civilised

It is true that status is not ideological fancy. Frank and Layard both refer to studies involving vervet monkeys showing that serotonin and testosterone concentrations correlate positively with position in the deference-dominance hierarchy.¹¹ Status has a real organic basis. In his article on relative poverty Cassidy, too, cites evidence that low-ranking baboons have elevated levels of stress hormones, and that low-ranking rhesus monkeys face elevated risk of arteriosclerosis. And there is some good evidence of similar physical correlates of status in humans. ‘If monkeys enjoy status, so do human beings,’ Layard reasons. He then rushes to explore the policy implications of intractable status competition.

But not so fast! The fact that we are *not* actually vervet monkeys matters. Species differences matter a lot, even between monkeys and chimps. Pioneering primatologist and psychologist Abraham Maslow first pointed out the vast difference in behaviour between often friendly and tolerant dominant chimpanzees and vigilantly despotic dominant rhesus monkeys.¹² ‘Real and profound differences are glossed over by flat statements that all primates know dominance-subordination relationships,’ writes Frans de Waal, the world’s leading expert on primate hierarchies.¹³

Real and profound differences are also glossed over by failing to acknowledge what is peculiar to

humans. For one thing, we are uniquely cultural creatures, and this fundamentally transforms the zero-sum logic of the primate dominance hierarchy. Even universal human psychological traits are highly mediated by diverse human cultural formations. Like monkeys and chimps, we all eat. But some eat with fingers, some with forks, some with a waiter and muzak, some squatting in the bush over a bloody wild pig. All humans signal status and station, but the differences between a silk necktie and a bound foot are not morally trivial. A high-status drug-dealing gangster thug and a high-status barn-raising Amish family man may each be alphas within their groups, but the social consequences of positional competition for power and for upstanding modest piety are hardly the same.

Indeed, a sensible measure of a culture's quality is the extent to which it can shape potentially destructive natural propensities, such as self-interest, status-seeking, tribal solidarity, and mate competition into benign or even beneficial cultural forms.¹⁴ While our taste for status may be deep, the fact that our cultural capacity mediates our instincts, causing the form and value of their expression to vary wildly, prevents facile extrapolation from tendency to policy.

The turn to culture is not a soft-headed evasion of hard biological truths. Cultural flexibility just *is* our biological nature. Recent work by Peter Richerson, Robert Boyd, Joseph Henrich (a zoologist and two anthropologists), and others point out the adaptive advantages of a labile cultural capacity that allows human populations to adapt quickly to changing environments, and to accumulate and transmit useful knowledge, norms, and institutions across generations.¹⁵ In a paper on the cultural evolution of cooperation, Boyd, Richerson, and Henrich point out that the common human cultural capacity explains the huge variation in cooperative institutions and norms between societies. Whether we happen to be locked in zero-sum or positive sum games is more a matter of culturally transmitted institutions (norms of interaction and coordination, explicit or tacit) than of brute facts about our genetic constitution.¹⁶ The question, then, isn't whether we *are* status-seeking. The question is *how* our culture and institutions harness, suppress, or amplify our natural tendencies.

Manufacturing status

Henrich, with psychologist Francisco Gil-White,

has argued that the distinctive human cultural capacity creates space for kinds of status based in the positive-sum trade of specialised cultural knowledge and expertise for prestige. Freely conferred prestige is both an incentive to develop excellence in a valued domain, and a payment for the demonstration and transmission of scarce knowledge and skills that benefit members of the group.

In humans, in contrast [to other primates], status and its perquisites often come from non-agonistic sources—in particular, from excellence in valued domains of activity, even without any credible claim to superior force. For example, paraplegic physicist Stephen Hawking . . . certainly enjoys high status throughout the world. Those who, like Hawking, achieve status by excelling in valued domains are often said to have 'prestige'.¹⁷

It cannot be denied that prestige based in superior theoretical physics is a far cry from a tyrannical vervet monkey keeping its cowering underlings in thrall. Henrich and Gil-White's conception of non-agonistic prestige based in valued excellence points to the exit from Layard and

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Frank's grim, zero-sum world. For sure, the runner-up in the race to cure a disease may be infuriated by the prestige granted to his winning nemesis, but this triviality will be swamped by the benefits that flow to people who may not even know the innovator's name, and never paid in esteem.

The logic is basically David Hume's in his essay 'The Rise and Progress of the Arts and Sciences', where he attributes the advance of knowledge and beauty precisely to a combination of 'emulation', the ambition to surpass others (positional competitiveness) and a taste for 'praise and glory' (freely conferred prestige). Hume may well have had himself in mind when he said that 'A writer is animated with new force, when he hears the

applauses of the world for his former productions; and, being roused by such a motive, he often reaches a pitch of perfection, which is equally surprising to himself and to his readers.’¹⁸ The world is better, not worse, for Hume’s own avidly status-seeking ‘love of literary fame’, his confessed ‘ruling passion’.¹⁹ We applaud for a reason: to stimulate the supply of excellence by gratifying the demand for status.

Crucially, there is *no limit* to the possible forms of excellence. So, while the number of positions on any single *dimension* of status may be fixed, there is no reason why dimensions of status cannot be multiplied *indefinitely*. It does not in fact require a violation of mathematical law to produce more high-status positions, for it is possible to produce new status dimensions.²⁰

New dimensions of excellence and status often open up due to technological innovation. It was impossible to be a chart-topping pop star or a champion triathlete before there were radios and bikes. Liberal market societies not only create new technologies, they create proliferating forms of association, affiliation, expression, and identity at a sometimes alarming rate.²¹ Each musical genre, each hobby, each committee, each church, each club, each ideology, each lifestyle provides a new dimension—a new frame of reference—for positional competition. Environmental purists can compete with one another to conspicuously consume eco-friendly products (or conspicuously refuse to consume much at all), while punk rockers duke it out on grounds of anti-establishment authenticity, and economics professors knock themselves dead trying to get articles into esoteric journals no one else cares about.

Or is positional competition more like the light of the sun: it can burn you but nothing grows without it?

The cultural fragmentation some critics lament is precisely what liberates us from unavoidable zero-sum positional conflict. Surfer dudes don’t compete with Star Trek geeks for status. Dynamic market liberal societies create higher-order positive-sum games (for example, the ‘create a new status dimension’ game, or the ‘find the status dimension on which you rank highest’ game) that have lower-order zero-sum games as parts.

Once we recognise the anarchic multi-

dimensionality of status, the frequent supposition of Frank, Layard, Cassidy, and others that the distribution of income—whether within the office or within the nation—is the the main dimension of positional competition begins to look bizarre. Struggling artists do not doubt their superiority in the face of successful accountants. And it should not need pointing out that many of us simply don’t know how much our friends make, and don’t much care.

Getting out of the rain

Are the external effects of positional competition really like pollution, as Layard says? Or is positional competition more like the light of the sun: it can burn you, but nothing grows without it? It’s not so easy to tell. Nobel Prize-winner Gary Becker and his University of Chicago colleague Kevin Murphy have argued that without the motivating prospect of increased status, there would be ‘underinvestment’ in entrepreneurial activity: ‘Great scientists and outstanding entrepreneurs receive enormous prestige and status precisely in order to encourage scientific and startup activities,’ they write.²² The benefits of such status-seeking, they say, may more than offset the negative effect of status ‘arms races’. Even if the taste for positional goods is unavoidable, Indiana University economist Richmond Harbaugh argues that fear of falling behind may induce high rates of savings—a kind of stockpiling for future status-signaling consumption races—with positive overall effects on economic growth.²³ There’s no excuse for ignoring the benefit side of the cost-benefit ledger.

Even if some positional competition creates negative spillovers, the best policy solution is rather less clear than Frank, Layard, and others imply. In his seminal 1960 article, ‘The Problem of Social Cost’, Ronald Coase destroyed the older conception of externalities. Coase drew attention to the fact that externalities exist only as an *interaction* of preferences. I may smell of jasmine, to the delight of most who enter my orbit. But if you are allergic, my fragrance may be far from pleasant. A tax on jasmine may benefit you, but at the cost of those who take pleasure in the scent. Coase instructs us to look for the ‘least-cost avoider’. If it costs you least simply to stay out of wafting distance, then that will be the most efficient course.

The cultural variability and open-endedness of status makes it clear that we are not helpless to avoid

the harsh side-effects of positional competition. It is within our power to opt out of any particular status race, and to compete for status on a different dimension, those ‘harmed’ may well be the least-cost avoiders. Remember Frank’s example of competing job-applicants in a race to buy an ever-fancier suit? The fact is, you simply don’t have to apply for *that* job. And even if you really want to, you can always buy your suit on the cheap from Overstock.com, hope nobody notices, and use the \$500 you saved to buy studio time for your new indie-funkcore-folk band.

Frank, acknowledging the logic of Coase’s least-cost avoider principle, argues that even people who are uninterested in status may be harmed by others’ positional competition. For example, ‘positional externalities in the housing market,’ Frank argues, ‘also entail far more tangible costs, most notably that failure to keep up with community spending patterns means having to send one’s children to schools of below average quality. The scope for accommodation to such costs seems far more limited’ than in cases where we can simply choose not to let relative position bother us.²⁴ But this, Frank’s best example of a case where it is hard to opt out, is in fact a strikingly poor example. It turns entirely on the irrational bundling of schools and neighbourhoods in the American public system, a problem that could be entirely alleviated with a system of school vouchers that would allow families to send their kids to fancy schools outside their own modest neighbourhood. This suggests that the most direct policy implications of positional competition may not be higher taxes on work and consumption, but policies, like school vouchers, that make it easier to pick and choose among races. It should be possible to give your kids a leg up in the education race without also buying a mansion.

Conclusion

The argument for the politics of relative position is at bottom an argument about the limits of human freedom. We are, it is alleged, locked into the rat race by the relentless engine of our evolved status-hungry nature. And we are, it is argued, almost helpless to reinterpret the context, the frame of reference, within which we evaluate our own choices. But the unique human cultural capacity—equally a part of our biology—liberates us.

Where benevolence, fidelity, cooperation, innovation, and excellence are esteemed, positional races may produce mutual advantage instead of mutual destruction. And while the game of status may be locally zero-sum, it can be globally positive-sum, as scientific, economic, and cultural entrepreneurs identify new dimensions of excellence in which to compete and earn freely conferred prestige as payment for benefit to others. We are not destined to want fancier cars, bigger houses, and more upscale outfits, nor are we helpless to feel diminished by those who out-consume us. We can opt out by opting in to competing narratives about the composition of a good life. And we do it all the time. We can, like Gauguin, quit law and family to paint naked natives in Tahiti. Or, better, we can move the family to a quieter place where houses are cheap and schools are good. (‘Is this heaven?’ ‘No, Iowa.’) If we are aggrieved by the rigours of the rat race, the answer is not the clumsy guidance of a paternal state. The answer is simply to stop being a rat.

Endnotes

- 1 John Cassidy, ‘Relatively Deprived,’ *The New Yorker*, 4 April 2006.
- 2 On the absolute wealth of the poor in the U.S., see Michael Cox and Richard Alm, *Myths of Rich and Poor: Why We’re Better off than we Think*, (New York: Basic Books, 2000). On positional goods see Fred Hirsch, *Social Limits to Growth* (Cambridge: Harvard University Press, 1976).
- 3 Richard Layard, *Happiness: Lessons from a New Science* (New York: Penguin, 2005), p 161.
- 4 Richard Wilkinson, *The Impact of Inequality: How to Make Sick Societies Healthier* (New York: New Press, 2005). I don’t discuss Wilkinson here, but see Sally Satel and Nicholas Eberstadt’s devastating critique: *Health and the Income Inequality Hypothesis: A Doctrine in Search of Data* (Washington, DC: AEI Press, 2004).
- 5 Robert Frank, *Luxury Fever* (Princeton: Princeton University Press, 1999).
- 6 Layard, *Happiness*, p 152.
- 7 Robert Frank, ‘Are Positional Externalities Different from Other Externalities?’ Brookings Institution Conference on ‘Why Inequality Matters: Lessons for Policy from the Economics of Happiness,’ <http://www.brookings.edu/gs/events/externalities.pdf>, p 1.
- 8 Layard, *Happiness*, p 150. Emphasis added. Richard Epstein points out that on Frank’s analysis,

- 'every distribution of wealth and every change in distribution creates a situation in which someone has harmed someone else.' *Skepticism and Freedom: A Modern Case for Classical Liberalism* (Chicago: University of Chicago Press, 2003), p 176.
- 9 Robert Frank, *Luxury Fever* (Princeton: Princeton University Press, 1999), p 133
 - 10 Layard, *Happiness*, p 153.
 - 11 Frank, *Luxury Fever*, pp 140–2.
 - 12 See Frans de Waal, *Good Natured: The Origins of Right and Wrong in Humans and Other Animals*, (Cambridge: Harvard University Press, 1996), p 126.
 - 13 De Wall, *Good Natured*, p 126–7.
 - 14 I make this point in the conclusion of 'Capitalism and Human Nature,' *Cato Policy Report*, January/February 2005. <http://www.cato.org/research/articles/wilkinson-050201.html>
 - 15 See Robert Boyd and Peter J Richerson, *Not By Genes Alone: How Culture Transformed Human Evolution* (Chicago: University of Chicago Press, 2004) for an excellent overview of this work.
 - 16 Peter J Richerson, Robert Boyd, and Joseph Henrich, 'Cultural Evolution of Human Cooperation,' *The Genetic and Cultural Evolution of Cooperation*, Dahlem Conference Report, Peter Hammerstein, ed., pp 357–388.
 - 17 Joseph Henrich and Francisco Gil-White, 'The Evolution of Prestige: Freely Conferred Status as a Mechanism for Enhancing the Benefits of Cultural Transmission,' *Evolution and Human Behavior* 22 (2001), pp 1–32.
 - 18 See *Essays, Moral, Political, and Literary* (Indianapolis: Liberty Fund, 1987).
 - 19 David Hume, 'My Own Life,' in Vol. I of *The History of England from the Invasion of Julius Caesar to the Revolution in 1688* (Indianapolis: Liberty Fund, 1993).
 - 20 In his fascinating analysis of the economics of fame, Tyler Cowen interprets praise as the currency with which fans reward and manipulate fame-seeking performers, and concludes, in an argument addressed to Frank, that fame-seeking is a positive-sum, not a negative-sum, game. 'Given the benefits of trading praise for performance, markets continually find new means of accommodating and attracting fame-seeking.' See *What Price Fame?* (Cambridge: Harvard University Press, 2000), p 102.
 - 21 See Tyler Cowen, *In Praise of Commercial Culture* (Cambridge: Harvard University Press, 1997) for an account of the success of market societies in producing, assimilating, and synthesizing new forms of culture.
 - 22 Gary S Becker and Kevin M Murphy, *Social Economics: Market Behavior in a Social Environment* (Cambridge: Harvard University Press, 2000), p 124.
 - 23 Richmond Harbaugh, 'Falling Behind the Joneses: Relative Consumption and the Growth-Savings Paradox,' *Economics Letters* 53 (1996), pp 297–304.
 - 24 Frank, 'Are Positional Externalities Different from Other Externalities?', p 24.

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