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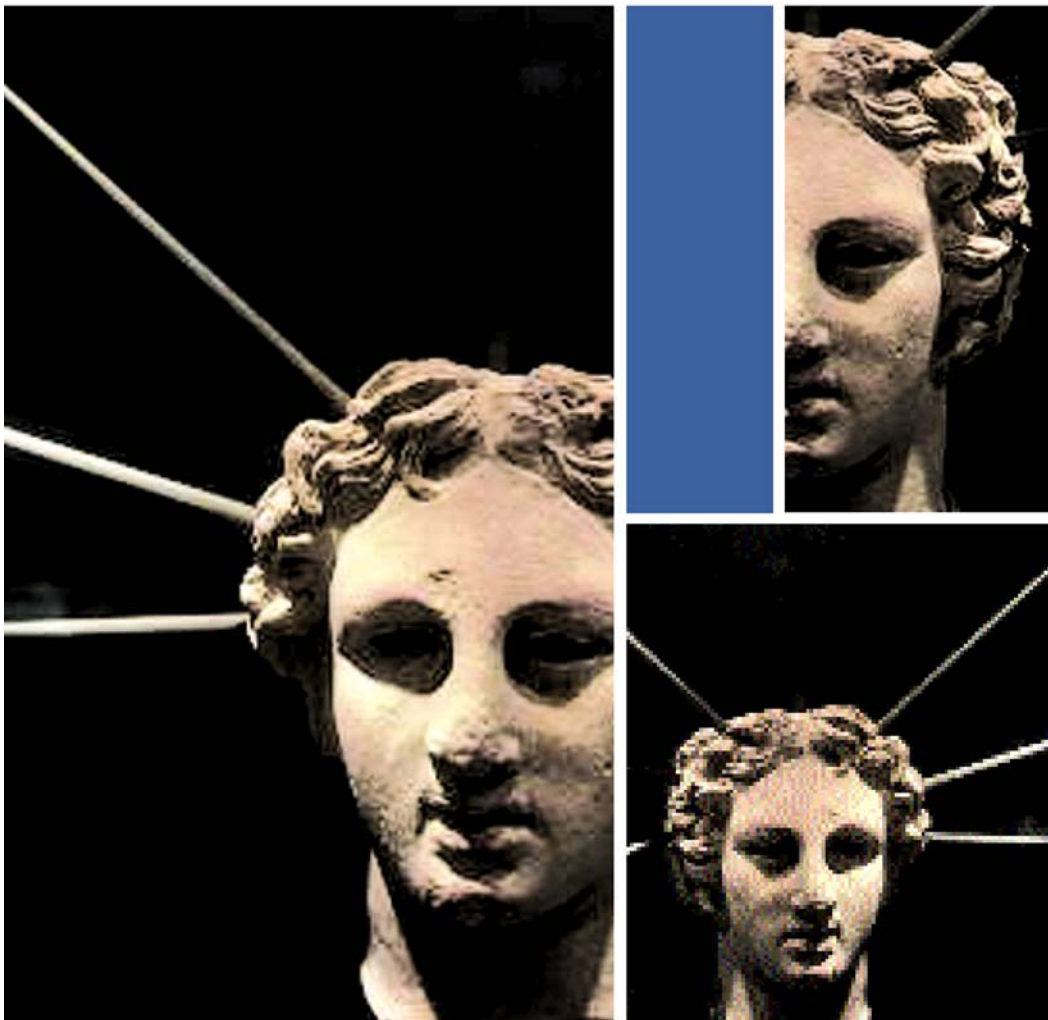
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## **The Design of New Policies in the Global Economy and Society**

The Case of Star Markets and Cultural Change

**Theodore Koutsobinas**



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# **The Design of New Policies in the Global Economy and Society**

## **The Case of Star Markets and Cultural Change**

**Theodore Koutsobinas**

### **Abstract**

*This paper summarizes the alternative policy paths that can be followed for the correction of economic, social and cultural problems associated with the emergence of the phenomenon of star markets and excess consumption in developed economies. The phenomenon of star markets is relatively new but has received considerable attention lately since it is exacerbated by the spread of processes associated with globalization. The analysis is conducted in terms of an interdisciplinary framework that spans from Economics to Anthropology and of an attempt to bridge American pragmatism with European radical accounts of the phenomenon. I conclude that if redistribution policies are followed, there is a potential for a welfare benefit of cultural change across different classes of the population.*

### **The Consumption of Status Goods and Star Markets**

One important feature of contemporary life in developed countries is that people from all groups of the middle class participate in consumption excesses. Those excesses take place with the support of higher incomes and a liberal credit system. There are numerous luxury consumption goods and services to choose from. Expensive Citizen watches, summer vacations to Ibiza and Florida, continuously changing preference for brand clothing such as Gap and Benetton, frequent dinners at fancy Italian or Indian restaurants that are so different from the average traditional neighbourhood eateries are an indispensable part of life for many people from middle class even from lower middle class. It is evident that more expensive cars or jeeps, bigger houses and for many a summer house is clearly on demand today. The emergence of lifestyle as an important part of contemporary life cannot be ignored lightly. The source of those preferences is similar to the trends followed by the super-rich in various forms of their consumption such as for prime housing locations or luxury cars.

The emergence of lifestyle consumption for the middle class is obviously a form of conspicuous consumption. This term that was introduced by Thorstein Veblen in the turn of the century was not confined only to the excesses of the super-rich at that time. Veblen was aware that excess consumption in general was related to the

self-worth of the consumers. He argued that feelings of inferiority and dishonour are associated in general with the failure to consume.<sup>1</sup>

When one comes to understand the sources of phenomenon it is obvious that the strength of conspicuous consumption is associated actually with the growth in earnings for the upper middle class, for many professionals such as dentists, lawyers, actors, TV personalities, consultants, football players and others. This growth in earnings comes also from the fact that the market attributes a higher value on the services of the top performers or the “stars” in those occupations. However, the “star markets” that produce highly-paid top professionals operate in a different manner than the traditional markets. In essence, those star markets remind of the concept of “winner – take – all markets” that was introduced by Frank and Cook in which the top performers realize earnings that are much more in size than the shares that are attributed to their absolute performance or contribution at work.<sup>2</sup>

The number of highly - paid workers has increased rapidly even as the average white – collar job was barely keeping up with inflation. In 1989, the size of the annual earnings to make it into the top 1 percent was about \$ 120,000. Just 1.07 million U.S. workers earned that much. Obviously, those professionals were members of a special elite club. Forty percent of the full-time physicians and twenty percent of the lawyers were part of this special group. The arts and entertainment – including all writers, actors, musicians, artists and athletes – only about 2 percent (16,000 people) earned \$ 120,000 or more in 1989. In science, things were a bit worse. Only 1.4 percent of university professors made that much.<sup>3</sup>

A considerable share of the excessive consumption of the upper middle class is directed towards positional or status goods. Those goods are valued more the more advantageously they compare with the goods consumed by others. The consumption of status goods reflect lifestyle preferences that involve to a great extent discriminatory judgement. Particular consumption preferences and lifestyle practices reflect different occupations and class fractions. In those consumption practices, the object of purchasing is to appropriate distinction, that is, to gain status through high exchange value.

### **Alternative Policies for Star Markets**

The phenomenon of star markets received considerable attention recently. As it was mentioned earlier, Frank and Cook introduced the concept of winner-take-all markets, which emerge as the result of the super high earnings of top performers. Their framework utilizes a microeconomic analysis which emphasizes the rewards received by those top professionals for their relative advantage in performance. Winner-take-all markets, excess consumption patterns and the competition for relative advantage in positional goods and services have many negative aspects and, in this vein, they are costly for the society. Higher income inequality, more stress, longer working hours, greater debt commitments, false consumption, investment or occupation choices, less time for personal and family development

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<sup>1</sup> See Veblen, T., 1899

<sup>2</sup> See Frank, R. H., and Cook P. J., 1995; Rosen, S., 1981.

<sup>3</sup> See Krugman, P., 1992.

are some of the negative repercussions of star markets and the associated competition for relative advantage. Even worse, for some of those factors, there is a greater burden for lower middle class individuals and families, who choose to participate in the process of relative social competition.

The high social cost can be eliminated by specific policies which will correct some of the failures of star markets and in the end they will be beneficial for the community. In connection to policy formation, Frank proposes a form of consumption tax, the progressive consumption tax that it can lead to the financing of various social programs. Those include for example better quality standards, better pay for teachers and community workers and better maintenance of infrastructure.<sup>4</sup>

In essence, Frank posits a neo-Keynesian framework in between the traditional economic analysis which emphasizes the working of free markets and the thinking of traditional liberals which supports the need for state intervention. The first strand includes monetarists such as Friedman as well as rational expectations thinkers who emphasize the negative aspects of state regulation while the other group includes post-Keynesians such as Galbraith and Davidson, Marxists and other radical thinkers.

However, the interest in excess consumption and star markets is not confined only within the field of economics and it will be unwise to consider it solely as a subject of research for American pragmatist thinkers. In fact, there is a great interest on the same topic in Europe, most notably, by French sociologists such as Baudrillard, Lyotard and Bourdieu. In the States, the most representative sociologist who follows the same approach is Jameson. Those thinkers approach the phenomenon of excess consumption and star markets on the basis of their analysis of “post-modernism.”<sup>5</sup>

In their approach, the “post-modern” era is characterized by an expansion of culture throughout the social domain, to the point at which everything becomes “cultural.” Those accounts are predominantly of a Marxist flair and show the same tendency towards the inflation of culture. However, they provide a useful link, ignored largely in economic analysis, between culture, media, and the symbols embedded in positional goods, a key feature of star markets. According to this type of analysis, the symbolic associations of goods may be utilized to emphasize differences in lifestyle which demarcate social as well as class relationships.<sup>6</sup>

On the other hand, the analysis of European sociologists on “post-modernism” lacks the wealth of economic and psychological empirical evidence associated with the analysis of star markets from an economic viewpoint as well as with the formation of concrete policy measures. However, their analysis that focus on sociological patterns and philosophical principles makes as we will see a convincing case for the role of social discrimination and conflict in the working of star markets and in the explosion of excess consumption, a factor that is absent from the economic framework of winner-take-all society.<sup>7</sup>

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<sup>4</sup> See Frank, R., H., 1997.

<sup>5</sup> See Baudrillard, J., 1973; Bourdieu, P., and Passeron, J.C., 1990; Lyotard, J. F., 1984; Jameson, F., 1984; Barthes, R., 1975.

<sup>6</sup> See Barthes, R. 1975, Bourdieu, P., 1984, Jameson, F., 1984

<sup>7</sup> See Frank, R. H., and Cook P. J., 1995

The purpose of this paper therefore is to provide a new comprehensive socioeconomic analysis, which integrates the conclusions from the sociological examination of “post-modernism” regarding the cultural aspects of social discrimination and conflict with the economic analysis on the phenomenon of star markets. With this integration, I propose policy measures that differ from the propositions that were offered so far on the same issue. Those policy measures are not confined to the support of social programs generally but deliver value to those who are at greater disadvantage because of the working of the star markets. Therefore, in the approach followed in this paper, there is a correction in the form of a redistribution policy that aims to the reduction of economic and social imbalances associated with the working of the star markets.

The evidence associated with the proposed integration is collected from various social science fields. In this respect, the method I follow here is socioeconomic in character. Socioeconomics is a method that was supported more notably by thinkers such as Max Weber and Schumpeter in the past and Etzioni, Sen, Simon, Kahneman and Tversky more recently and involves the fulfilment of certain conditions such as the pluralism in approaching economic problems, the open interface between economics and the other social sciences, the emphasis on dealing with substantive issues rather than being confined with dealing alone with the application of methodological principles and the recognition of the importance of culture and the complexity of human behavior.<sup>8</sup>

## **Economics and Global Trends**

In the new era of technological progress and globalization, the information technology and advances in media technology create greater masses of prospective clients and substantial economies of scale for the producers and distributors of products and services. Thus, technological progress, greater markets and greater responsibility of the market players in an era of fierce competition and uncertainty lead to the creation of the phenomenon of star markets, new wealth and income inequality. One specific consideration is that the phenomenon of star markets encompasses any sphere of economic activity but is more predominant in the area of services. On the other hand, the rise of the new rich attracts millions of competitors in the labour markets. However, since the huge rewards are destined for the few, many contestants seem to commit serious occupational mistakes.<sup>9</sup>

On the other hand, new wealth intensifies excessive consumption especially for positional or status goods. This phenomenon is primarily explained by a signal effect, namely, by the need of new rich to signal that they are competitive and, thus, that their services must be preferred. However, not only the best performers but also large masses of the middle class are involved in this signalling relative social competition even when they cannot afford it or sometimes through less expensive positional goods, services or activities in order to signal that they keep up with the better players. This process is facilitated by the huge influence of the media and advertisement that establish star stereotypes and intensify the demand

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<sup>8</sup> See Weber, Max., 1949; Schumpeter, J. A., 1954; Etzioni, A., 1991a; Sen, A., 1987; Simon, H., 1976; Tversky, A. and Kahneman D., 1981.

<sup>9</sup> See Frank, R. H., 1997.

for positional goods, services or activities. The influence of the media and advertisement create a cultural effect because it changes the set of values and of preferences of decision makers from traditional choices to positional ones. Since the latter establish the signalling identity of economic agents, positional goods are in essence a cultural medium or capital to legitimize distinction, privilege and discrimination against the less competitive.<sup>10</sup>

Today, there are various trends that underlie the economic, social and cultural environment in which people live.<sup>11</sup> Certain areas of technological progress such as the communications, the information technology or the digital television technology make possible the transmission of different categories of information to different users so that information is now fragmented. This creates fragmented social and cultural sub-spaces in which individuals today operate, leads to the co-existence of different and sometimes contrasting beliefs and the demise of universal beliefs which act as a reference for social changes in traditional mixed economies.<sup>12</sup> Thus, the social and political environment changes and this means that there is a difficulty to assess politically the changes in our environment and to design policies on the basis of traditional politics. Not only this, but there is also a need to transform the conventional forms of political thinking in order to reflect or to overcome the fragmentation of social identities. In addition, imaginary or hyper-real individualism today is an attitude that motivates people to compete harder and harder for the imaginary riches and privileges that our new society allows.<sup>13</sup> Thus, in today's economic, social and cultural environment there are not only fundamental and rapid but also very powerful forces that alter the way people think and behave.

### **The Psychological and Anthropological Dimension**

The study of the subjective considerations that take place in the working of star markets and relative social competition reveals that people do not hold preferences for certain goods, services and activities only for the specific material benefits that the latter confer but also for the purpose of internalizing positive affect or satisfaction. This process is very important because it is associated closely with individuals' perception of self-worth. Furthermore, the involvement in the consumption of positional goods or services aims at demonstrating high competence and territorial control. In addition, there are certain psychological limitations that play an important role especially in situations of great uncertainty in which there is lack of prediction.<sup>14</sup> In addition, the influence of cognitive dissonance and undermined self-worth are crucial in explaining why the presence of star markets and relative social competition can cause feelings of social deprivation.<sup>15</sup> This process takes place in a context of social interpersonal

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<sup>10</sup> See Bourdieu, P., and Passeron, J.C., 1990.

<sup>11</sup> See Naisbitt, J., 1984.

<sup>12</sup> See Lyotard, J.F, 1984.

<sup>13</sup> See Baudrillard, J., 1973.

<sup>14</sup> See Nisbett, R., and Ross, L., 1980.

<sup>15</sup> See Bourdieu, P., and Passeron, J.C., 1990; Kahneman, D., Knetsch J., and Thaler R.,

comparisons between the privileged and the less privileged and leads to a reactionary behaviour of the latter with the objective of catching up with the stars when making consumption, lifestyle-activity or occupational decisions. In the context of relative social competition, the subjective incentives to signal self-worth, efficiency, territorial control and special identity are stronger in the case of more successful and competent people. Thus, there is personal waste in the attempt of less privileged to catch up with the stars that is reinforced by the greater difficulty that less fortunate, privileged or rich people experience when they try to succeed in star markets. In contemporary society with moral values that prize more the material benefits than the internal well-being of individuals and in which there is no self-control the relative social deprivation is greater. People who succeed to compete in star markets are classified socially as competent and normal while the less privileged people who do not fit the successful stereotype become the object of social prejudice destined to stay out of competition for material resources.<sup>16</sup> Here, the role of over-exposure to the inflated successful stereotype through the media is crucial and unquestionable since individuals tend to internalize aspects of certain social roles that they visualize repeatedly in the media in order to establish their own social identity. However, the internalization of successful positional prototypes contrasts the difficulties of everyday life and leads eventually to feelings of social deprivation. These feelings can become very intense when one strives hard or fails to adjust to social competition.

The study of anthropological aspects of star markets and relative social competition shows the emergence of popular culture as a central locomotive for the postmodernist expressionist lifestyle of contemporary individuals. This lifestyle is certainly stimulated by the aesthetization of our everyday life that is created by the rise of media but is also the product of nostalgic fantastic reaction to massive consumption and to work alienation that is associated with the rise of popular culture. These phenomena are part of the domain in which social validation, identity and self-worth are important. The latter seems to be a valued indeed commodity because even marginalized individuals attempt to capture it by appropriating a marginal part, sometimes a tiny one, of this mixed simulational culture. On the other hand, the virtual hyperreality provided by the media and more notably by television promotes symbols and myths of a social world that is mostly mainstream, upscale and comfortable in its representation and that through the pleasure of “implication” with real life emotions is internalized in individual feelings, perceptions, tastes and, eventually, social identities.<sup>17</sup> Thus, emotionally internalized social validations and addictions through positional lifestyles explain individual unconscious dispositions and, eventually, the formation of tastes. In this vein, we cannot claim that preferences or perceptions of social identities are really exogenous or genuine. To a large extent, they are endogenously determined, emotionally internalized through the pleasurable process of identification with symbols and myths of virtual hyperreality.<sup>18</sup> Since most of these symbols and

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<sup>16</sup> See Podolny, J., 1993.

<sup>17</sup> See Baudrillard, J., 1973; Davies, J., 1984.

<sup>18</sup> See Davies, J., 1984.



myths are mainstream ones it is easy to understand how established and discriminating social boundaries or structures are reproduced with the internalization of social identities and social values.<sup>19</sup> Thus, the emergence of star markets and relative social competition does not represent free choice and independent individual tastes as the proponents of traditional social science argue.<sup>20</sup>

### **Society, Politics and Philosophy**

The attempt to understand the phenomenon of star markets and relative social competition from a social point of view is rich in conclusions indeed. First, relative social competition to assume a successful status becomes more intense. The quest for relative social advantage is not limited to income rises or wealth accumulation but, according to radical European sociologists, takes place on the basis of signs or symbols provided by media, advertisement and popular culture. Positional goods, services or activities are associated with these symbols or signs. Symbolic positional consumption, activity or occupational engagement is part of a post-modern culture that implies classificatory dispositions that show social advantage and distinction and aim at redesigning the social relations between individuals or social groups. The symbols or signs that are used in classificatory processes are usually provided by the popular culture of virtual hyperreality, even by fashion novelty. In many cases, this effort to redesign the map of social relations takes the form of social discrimination and exclusion. The disadvantaged internalize feelings of relative social deprivation that need to be overcome.<sup>21</sup> The attempt to come with long-term policies to overcome social discrimination and domination is very difficult since in our post-modern world it is very difficult to separate real from imaginary preferences.<sup>22</sup>

The political and philosophical analysis of the phenomenon of star markets and relative social competition provides many useful insights. First, the new privileged of star markets are detached from social problems and have an interest to undermine them.<sup>23</sup> Although there are contrasting views with respect to recent trends in income distribution the need of the privileged to internalize that they live in a growingly secure and certain economic, business and financial environment leads them in an attempt to undermine the social problems of star markets. However, contentment is in danger in the presence of symptoms of fragility of the global market economy that takes the form of environmental problems, international financial crises and political instability that is associated with third world poverty and international immigration. Thus, the social justification of non-responsibility of the comfortable is inconsistent with the intrinsic fragility of the global market economy.

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<sup>19</sup> See Barthes, R., 1975

<sup>20</sup> See Galbraith, R., 1991.

<sup>21</sup> See Bourdieu, P., 1984

<sup>22</sup> See Lyotard, J.F., 1984.

<sup>23</sup> See Galbraith, R., 1991.

In terms of a philosophical analysis of star markets and relative social competition, a useful instrument is provided by thymos, the notion that describes the desire to sign power and superiority. This idea is associated with motives of internalizing “self-respect” and “self-worth.”<sup>24</sup> This idea has its roots to Plato’s notion of megalothymia, which was embraced later by Nietzsche.<sup>25</sup> Megalothymia is associated with the desire to establish authority in order to discriminate. In the case of star markets and relative social competition this discrimination takes place for market or social purposes and takes the form of distinction through taste and choice. Thus, the policies that are required for correcting the problems of star markets and relative social competition need to be determined whether they will be universal in nature or, part of a pragmatist agenda.<sup>26</sup>

## **The Debate about Policy Measures**

Overall, there are three alternative policies to curtail context-dependent activities: regulation, taxes, and income transfers. The last approach includes transfers for human capital improvement and for cultural policy implementation that promotes an alternative human betterment way of life. In this context, human capital is not the only end itself. Another end is life-satisfaction that is distinct from attempts to improve human capital.

## **Cultural Intervention**

Some policies of cultural intervention are followed already, more notably in the Scandinavian countries. However, in these countries with a strong community and social solidarity history competition for positional goods is viewed often as a cultural ill. The reduction of competition for positional goods is achieved by supporting another culture with creativity, productivity, less competition and less excess consumption.

Thus, the cultural dimension of such policies cannot be easily overlooked. A visible pattern by means of which excessive activities are discouraged has to do with social norms in many different societies. For example, religious activities are set to promote more low-profile activities such as self-discipline and relaxation of mind. Excessive consumption by a newcomer in old money neighbourhoods will certainly raise some contempt as there maybe social norms against excessive consumption.<sup>27</sup>

## **The Case of a Progressive Positional Consumption Tax**

An alternative approach is the imposition of a progressive tax on positional consumption.<sup>28</sup> With this measure, policy makers will tax consumers on the basis

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<sup>24</sup> See Fukuyama, P., 1993.

<sup>25</sup> See Nietzsche, F., 1968.

<sup>26</sup> See Habermas, J., 1981.

<sup>27</sup> See Putnam, R.D., 1995.

<sup>28</sup> See Fisher, I., and Fisher H. W., 1942; Frank R. H., 1997.

of how much they spend. Thus, substantive incentives are provided to cut back excessive positional consumption. In addition, consumers that can reduce their excessive consumption will find more easily other ways to derive personal satisfaction. Since there are consumption items that fall under the category of luxury goods, it is simpler to tax different levels of consumption than different consumption items. There is ground to believe that the tax will distribute the cost of adjustment out of positional goods in a fair way. For example, there are individuals who will adjust quickly in reducing their consumption on luxury goods while others may scale down their expenditures on positional goods. On the other hand, there are people who may still be willing to pay a tax premium to derive personal satisfaction for the improvement of their relative position.

Taxable consumption can be viewed as income minus savings allowing for income tax deductions.<sup>29</sup> Therefore, if taxation authorities know the level of savings, they can determine at which bracket of taxable consumption stands a particular family, thus eliminating complex computations on different consumption items. Since savings are invested in some form of investment fund, the consumer will expect also a yield.<sup>30</sup> The state is also in a more advantageous situation because it has more income from taxes to pay for social or cultural policy objectives that benefit all. In addition, as we will see, the state has more money to pay for activities that have a redistributive effect between higher - income individuals who care about their relative position more and the lower - income individuals who have less interest and information in pursuing a relative position advantage. The progressive consumption tax is currently supported by many economists and politicians, mostly liberals but also by some conservatives.

The feasibility of imposing a progressive consumption tax is questionable only because it is an issue that raises bitter political conflicts. Conservative policy makers express often their reservations against the imposition of a progressive consumption tax because, according to them, there is no reason to discourage individual freedom and the consumption of certain individuals because of its negative effect on the behaviour of others. Thus, they argue that a progressive consumption tax is not legitimate. However, in relative social competitions, the choice of one person is rarely independent of the choice of others. In this sense, the quest for relative position advantage destroys the freedom of choice because it leads to the acquisition of misleadingly attractive positional goods.<sup>31</sup>

There are two additional problems with the reasoning of conservative policymakers. The first is that the interdependence of behaviour across producers or consumers is in fact an objective phenomenon that is usually explained in terms of what economists call external economies, a well-used idea in the sphere of public economics. As it is well known in economic analysis, the discouragement of negative external economies is a standard policy objective. In addition, the opposition of conservative policy - makers may express a concern for the redistribution effects of a progressive consumption tax since there is a strong indication that such a tax provides a more equal distribution of costs and rewards across different members of the society.

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<sup>29</sup> See Seidman, L., 1997.

<sup>30</sup> See Frank, R. H., 1997.

<sup>31</sup> See Etzioni, A., 1993.

These considerations shift the domain of debate to matters such as which are the incentives for entrepreneurial and innovative productive activity or which are the possible negative effects of taxes on economic activity.<sup>32</sup> Yet, the fierce insistence against a progressive consumption tax may indicate the existence of political considerations. Yet, as I mentioned earlier, this discussion seems to be lost by the opponents of progressive consumption tax on substantive principles and shifts to secondary matters such as the policy on incentives and the effects on economic activity. For example, the opponents of a progressive consumption tax argue that a progressive tax structure will impose penalties to many people with strong incentives to be productive. On the other hand, possibly the most important argument in favour of progressive taxes on positional goods is that in essence behaviour is determined in a conventional manner, as was the case with Keynes' infamous "beauty – contest." In this framework, the incentive to save and invest in response to a progressive tax on positional goods is influenced by the perceived behaviour of other members in the same group. As soon as there is some shift for more savings and investment other top earners will follow and adjust their behaviour.

In addition, economic activity can be promoted because a progressive tax on conspicuous consumption can lead to a better allocation of talent across different occupations. There is overcrowding in the competition for top positions to the point that economic activity can grow more not by a further rise in top service positions but by growth in positions that exist elsewhere in engineering and biology. The experience of overcrowding may lead many contestants to take costly bets. For example, some may extend their job searches for long periods or may choose to attend expensive school programs that are not at the top of their specialization. Overall, the advent of star markets brings in contestants whose ability to compete is very small. Thus, the imposition of a progressive tax can lead to the financing of programs that will help improve occupational choices and economic activity.

## **Regulation**

Besides promoting a different culture there is another way to curtail context-dependent activities. For example, those activities are discouraged with the application of greater regulation. Examples of increasing regulation can be found in mandatory laws on political campaign spending, on litigation spending in Europe, on advertisement time in television or on bans of drug consumption in sports. Regulation can be beneficial also when safety is the issue. Safety regulations discourage workers to take or hold riskier working activities because of better pay. Laws that limit the risk we can take can be also found in cases when the lawmaker intends to discourage people in a given occupation from being able to take additional working projects. In this respect, people become less stressful because they feel less competitive while sufficient room is made for newcomers.

Traditionally, there are various regulation measures by means of which excessive positional consumption has been discouraged in the past. With respect to mandatory laws, history provides us with many examples of "sumptuary laws" that

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<sup>32</sup> See Hubbard R. G. and J. Skinner, 1996.

were used to restrain the consumption of certain positional goods by the lower-income people.<sup>33</sup> On the contrary, the elite were not subject to those restraints. Even today such laws are active as it is the case in the United Kingdom where all pubs must close by 11 pm while some licensed private clubs can remain open after that time. This shows that a similarity exists between past societies in which aristocracy was too important and our contemporary star society in which elite is important.

Although regulation requirements may seem disadvantageous relative to economic intervention, there are cases in which they are clearly useful. For example, this may be the case when economic measures such as taxes on excessive positional consumption fail to reduce it substantially because the drive of the society for that type of consumption is very strong. Another case in which regulation is preferred is when there are disputes around the legitimacy of particular taxes or when there are practical problems regarding their enforcement. In this last occasion, there is a preference for progressive higher penalties for those who violate the rules more. Finally, in the face of practical problems or of disapproval by special groups, regulation may send very obvious signals about the determination of the majority of the society to reduce certain excesses for educational, self-disciplinarian or cultural reasons. This last type of regulation constitutes in essence an approach that is different from the application of taxes or prohibitive regulation because it can be used as a policy tool to establish cultural or societal norms that are desirable by the majority of the society.<sup>34</sup>

## **Concluding Remarks**

The rapid rise of excessive positional consumption can be contained through a simple progressive consumption tax that will clear substantially the congestion crisis and will lead to a better allocation of resources, including human resources. Also, a progressive consumption tax can help correct much of the inequality that is produced through the competition for relative position advantage. In addition, some of the resources that will become available can be invested. In this vein, growth in the economic activity is promoted. Finally, since individuals will be liberated to a greater extent from their competition for positional goods, they will have more time and energy to allocate to the improvement of their subjective well-being. One conclusion that can be easily drawn from the debate about the imposition of a progressive consumption tax is that it is highly fierce. One explanation is that both the arguments of the laissez-faire conservative school and of the radical school are substantive. Yet, the analysis that was developed in this paper demonstrates that the arguments in favour of a containment of star markets and relative position competition for general social programs and redistribution policies are superior. If this type of policy is adopted carefully through a well-studied and designed plan to overcome bureaucracy ignorance and to maintain a great (but not wasteful) freedom of choice, there will be obvious public benefits. The existence of a fierce debate therefore shows that there is underneath a bitter political and ideological opposition regarding nothing less than privileges for the

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<sup>33</sup> See Hunt, A., 1996

<sup>34</sup> See Etzioni, A., 1991b.

comfortable. This is an aspect that cannot be easily overlooked. The top earners will prefer to work a lot for much less of what they do without the imposition of a progressive consumption tax for the simple reason that they still earn a lot of money. In high - levels of income therefore the tenets of traditional laissez - faire economic theory does not apply. However, there is a possibility in which the top performers may refuse to attempt to recoup from their income losses due to the imposition of a progressive consumption tax because they are unwilling to give wrong signals to other members of the society. For this, they may prefer to protest and express their opposition in many ways. This will have a negative impact on their performance but it will be a necessary sacrifice to prove what they know for themselves, namely, that they are too important in the economic activity of one society to deserve to be neglected. This shows however that there is a strong ideological side-effect that cannot be easily overlooked.

Given the high ideological and political flair of the issue, the actual imposition of a progressive consumption tax is in essence a sort of regulation because it shows the determination of the majority to send a political message to the comfortable who will never stop to oppose even when all their arguments are defeated. Debates cannot last forever and in the very end the majority has to decide what kind of a society wants. If this society is based not only on a manipulated sense of freedom of choice but on a more genuine sense of individual freedom, justice and social efficiency then this must be translated to a social policy proposal. If the latter is accepted by the majority of citizens or their representatives this demarcates an end to the fierce political debate and establishes a different social and cultural paradigm than what is known so far in western market economies.

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