



THE NEW ARISTOCRATS

A cultural and economic analysis of the new status signaling

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BRIEFING PAPER

EXECUTIVE SUMMARY

- New patterns of status signaling are emerging focused on attempts at ‘authenticity.’
- These patterns are distinct from ‘classic’ aristocratic status signaling based on the costly acquisition of useless skills, and also distinct from ‘old’ status signaling based purely on wealth.
- The distastefulness of wealth-based status signaling creates a desire to signal one’s lack of interest in status games - hence a paradox is formed.
- Examples of the new status signaling include parts of internet activism and environmentalism – ‘conspicuous conservation.’
- New forms of status signaling and ‘conspicuous authenticity’ may be more socially wasteful than older forms of conspicuous consumption.
- New status signaling might also be less amenable to the traditional policy measures, such as luxury taxation.

INTRODUCTION

Since Veblen, sociologists and economists have sought to understand the nature and importance of status signaling and conspicuous consumption. Today’s “conventional” understanding of status signaling is closely connected with criticisms of crass consumerism and consumer choices such as oversized houses and gaudy diamond rings. This paper contends that this portrayal of conspicuous consumption is generally – though not entirely – quixotic. While members of the upper class may still sometimes attempt to signal high status via such ostentatious displays of wealth, by and large, members of today’s elite recognize these choices are blatant attempts at signaling status, which undercuts them or even causes them to signal low status. What I call “new status signaling” expends resources to signal the opposite, that one is not a part of blind Western consumer culture but instead part of the solution to modern society’s problems. As a result, potential policy implications of status-signaling, such as a “Pigouvian” sales tax are blunted significantly.

The works that have discussed at length what I am calling new status signaling are two books by two different journalists (Brooks 2000; Potter 2010) and two by a satirist (Lander 2008, 2010). However, these works do not reference one another, and other similar points are spread across a number of literatures from marketing to psychology. This paper hopes to synthesize these ideas into a coherent social theory and form a conjectural description of the characteristics of new status signaling.

Related literature worth noting includes Lindsey (2007), who argued that the events of the twentieth century in America has led to a blending of counterculture and affluence. Fussell (1983), after ridiculing conventional status signaling at length, notes that many people were then attempting to forego traditional status signaling altogether (but as argued here they may have subsequently invented a different status game). Epstein (2002) covers status and snobbery in modern America, though he does not focus on the signaling component of it. Pinker (2002: 269-280) discusses how what society moralizes against has shifted, in some ways parallel to what I will develop. Banet-Weiser (2012) explores the now dynamic relationship between the “authentic” and the commercialized and branded while touching on many topics which will be conceptualized here through status-signaling.

First, this paper will demarcate status signaling into three periods, classical, old, and new, drawing on Potter’s previous work heavily. Then, it will evaluate the literature on new status signaling and synthesize the arguments into a coherent whole. Finally, it suggests how the economic implications of new status signaling differs from those of the old.

PERIODS OF CONSPICUOUS CONSUMPTION

Potter (2010) offers a brief narrative summary of the broad periods of conspicuous consumption as he sees them. It originated with attempts to emulate the old aristocracy, whereby status was sought by learning ostensibly useful (but in practice useless) skills such as knowledge of dead languages or fencing. These then fulfilled the characteristics necessary to be a credible signal. They had a veneer of morality – what signaled status was also understood to be what the “right” kind of people wanted to do, in contrast to the crass desires of the lower classes. What connoted status also was costly; “skills” like fencing were only credible signals because in their own right they were useless for any other purpose. If the benefits of learning to fence outweighed the costs, others outside the leisure class would learn to fence as well and it would cease to be an effective signal. As long as the narrative that fencing and skills like it are worthwhile endeavors can be reasonably maintained (even though the key to for them to be effective signals is that they are not useful), they continued to act as signals. If one can no longer reasonably claim they are worthwhile, or the relative prices change such that the separating equilibrium shifts to a pooling equilibrium, they cease to be signals. I call this first aristocratic period of status signaling and conspicuous consumption “classical status signaling.”

The second stage in conspicuous consumption is what most think of as conspicuous consumption and which I call “old status signaling.” This is the pure one-upmanship of the faster car, the gaudier diamonds, and the grander parties. It arose as emulating the aristocracy ceased to be, or diminished in being, the socially acceptable method of showing off. Today, such consumption patterns – the “Keeping up With the Joneses” – is what is commonly cited as worthless expenditures engaged in, especially by the upper classes – pure status competition. This leads to the interpretation of many consumption expenditures as inflicting negative externalities on those with whom one is engaging in status competition. If such behavior is widespread, it arguably justifies the imposition of excise taxes or even progressive consumption taxes for reasons apart from the desire to raise government revenue. This is a possibility we return to in Section IV.

However, society is not static. A wife adorning herself with a fistful of diamonds perhaps could once convince herself that she wears the diamonds because they look beautiful and she loves her husband, but broadly speaking, most of her dinner companions today would see it as crass status signaling. In other words, most elements of Western society have moved beyond associating ostentatious displays of wealth with high status. If anything, it is simply considered rude; one could say you must signal you are not signaling. How to conceptualize those who still seem to partake in old status signaling I will also return to in Section IV.

Potter, along with others as I will show in the next section, documents that the elite today choose to flaunt their wealth in very specific ways that demonstrates one’s disapproval of the institutions that make that wealth possible. Capitalism, impersonal markets, and corporations are seen as inauthentic. Choosing goods that ostentatiously express disapproval – but doing so in ways that are costly for the typical consumer – has become the method of socially rejecting the inauthenticity of old conspicuous consumption.

Potter refers to this as Conspicuous Authenticity. I refer to it as new status signaling. Table 1 (overleaf) offers a summary contrasting these three periods of conspicuous consumption. In the following section, I summarize the disparate literature on new status signaling in hopes of creating a coherent whole useful for interpreting and criticizing modern society.

TABLE 1 - SOME STEREOTYPES OF PERIODS OF CONSPICUOUS CONSUMPTION

| | CLASSICAL | OLD | NEW |
|-------------------|---------------------------|-------------------------------|---------------------------------|
| CLASS | aristocracy | bourgeoisie | bohemian-bourgeoisie |
| EPITHET | old money | nouveau-riche | hipster |
| IN FICTION | <i>Great Expectations</i> | <i>The Great Gatsby</i> | <i>Portlandia</i> |
| CLICHE | chivalry, etiquette | "Keeping up with the Joneses" | authenticity; local; non-profit |
| HOME | estates, townhouses | suburbs | gentrifying cities |
| EDUCATION | Liberal, "dead languages" | MBA | MFA |

DISTINCT STRANDS OF LITERATURE ON NEW STATUS SIGNALING

The purpose of this section is to briefly outline some aspects of the very disparate literature on new status signaling beyond Potter's narrative. Brooks (2000) was first to see the implications of the bohemian becoming one with the elite in his best-selling book. *Bobos in Paradise* remains a starting point for the literature, but it is also well over a decade old.

NEW CONSPICUOUS CONSUMPTION AS CULTURAL CAPITAL ACCUMULATION

Pierre Bourdieu, a Neo-Marxist and an influential figure in modern sociology, developed the concept of "cultural capital" in explaining the intergenerational transmission of status in France (1984). Cultural capital, exemplified by both paintings and education, enables its bearer to maintain their social status and to pass it on to their children. Brooks (2000) and Allison (2009) explicitly cite Bourdieu and cultural capital for understanding new status signaling. Brooks (150-52) interprets through Bourdieu how the elite accumulate symbolic capital of various kinds, including cultural capital, on their paths to becoming intellectuals. Allison argues that expressive ethical consumption (e.g. sustainable goods) is rooted both in accumulating cultural capital and the pursuit of status. One can think of new status signaling as requiring significant investments in cultural capital, as opposed to simple displays of wealth as in old status signaling.

BLATANT BENEVOLENCE

The fact that status seeking behavior has moved beyond simple crass consumerism is not lost on the psychology literature. Ostentatious charitable giving headlines "Blatant Benevolence," the motivating example being what drives very rich individuals without the reputation for philanthropic attitudes (such as Donald Trump and Ted Turner) to give away substantial portions of their fortune. The answer is signaling status, a result buttressed by experimental research (Griskevicius et al. 2007; see also Roberts 1998). Following this, Griskevicius, Tybur, and Van den

Bergh (2010) argue that blatant benevolence may be enlisted to support public goods like green energy (as they put it, “conspicuous conservation”). However, as Potter (2010) and later Murphy (2016) have shown, the status game involved in private actions in support of the environment has already departed from what is likely to even be beneficial from the standpoint of the environment, as in the case of food miles (i.e. attempting to measure environmental impact of food consumption by measuring the distance it traveled to arrive at the dinner place).

THE BROAD RECOGNITION OF NEW STATUS SIGNALING AMONGST SATIRISTS

Satirists who have their fingers closer to the pulse of Western culture than what is commonly possible in the ivory tower have ridiculed precisely this status game, often in fairly nuanced ways. What follows are a few examples this author has come across. The wiki-style website, TV Tropes, has a very complete list of pop culture references to new status signaling as well.¹

1. *“Because Internet activism -- particularly with the weird culture that seems to pervade Tumblr -- isn’t about making a difference, or even raising awareness; it’s just about proving how superior the writer is to his or her audience. Tumbloggers (or whatever you call them) with blogs like Shutthefuckupsexists.tumblr.com or IWillLiterallyMurderYouIfYouMakeARapeJoke.tumblr.com aren’t actually trying to spread awareness or insights. They’re just trying to outdo each other, to win this weird competition that has nothing to do with anything but their own egos. They all want to find the new, more nuanced, more complicated social problem (“adult privilege” refers to the injustice that teenage voices aren’t valued, and “tall privilege” refers to fuck knows what) that no one else has heard of. They’re treating social issues the way hipsters treat bands: using the advantage of knowledge to make it painfully, irrefutably obvious that they are better than you.”* (Sargent 2014)

I should note as well that the argument has been made in a more formal context by Niemietz (2014).

2. One episode² of the webcomic Cyanide and Happiness features one character noticing that his companion was using a reusable coffee cup at Starbucks to be “eco friendly” even though he threw out an entire box of garbage bags because they are the wrong size the previous day. He responds, “But nobody saw that.”
3. The works of Christian Lander (2008; 2010), who popularized the fad of ridiculing “white people,” by which he means the elite.

The number one reason why white people like not having a TV is so that they can tell you that they don’t have a TV... Generally this makes them very boring and gives you very little to talk to them about. It’s important that you NEVER suggest they are making a mistake or that there is a value to owning a TV. You should just try to steer the conversation to allow them to talk about how they are better than you. (2008: 35)

¹ <http://tvtropes.org/pmwiki/pmwiki.php/Main/BourgeoisBohemian>

² <http://explosm.net/comics/2932/>

The ultimate goal is to do a better job than the couple who hosted the last dinner party while attempting to make everyone jealous and sort of dislike you. (ibid. 115)

This not only makes him feel better about pretending the gallbladder he just ate was actually delicious, it also reminds white people watching the show that they are better than everyone else. (2010: 19)

As in the case with sweaters, the process of acquiring a peacoat is almost as important as the coat itself. Fashionable white people can purchase designer peacoats for well over \$1,000, but the highest-level white people purchase theirs at army surplus stores. This makes them feel better than the white people who have spent thousands of dollars on an identical piece of clothing. (ibid. 189)

4. The television comedies, *Portlandia* and *The Goode Family*.
5. The 2006 episode of *Southpark*, “Smug Alert!,” in which one of the families buys an environmentally-conscious car and subsequently leaves for San Francisco because they feel superiors to the locals. San Francisco is eventually engulfed and destroyed by a literal cloud of its smugness.

FORMALISATIONS OF THE SOCIAL DYNAMIC

Toubol (2014) notes that although hipsters despise labels and conformity, they end up clustering around similar social choices. He uses a generic model of spin glasses (a special type of magnet) to study how individual hipsters synchronize amongst the mainstream and other hipsters. Possibly the economist may interpret this as hipsters signaling in such a way that creates a separating equilibrium between them and the rest of the population but in a pooling equilibrium with one another. Smaldino and Epstein (2015) provide a rigorous formal model under which preferences for distinctiveness ultimately leads to conformity. Either of these models offers alternative theoretical models of the social dynamics in play and may be more adept in explaining new status signaling than is a baseline signaling model.

A COHERENT THEORY OF NEW STATUS SIGNALING

The undercurrent of new status signaling isn’t merely about signaling “authenticity” as Potter argued. The desire to accumulate cultural capital and to pass it on to your children is not only about the imagined existence of an authentic self; it is a reflection of a rational desire to share the practices, habits, and attitudes of the cultural elite. It also neatly relates to the modern understanding of the psychology behind costly signaling and blatant benevolence of both charity and certain pseudo-charitable consumer decisions. It is not so much about “authenticity” – though that is certainly in the marketing and vocabulary of new status signaling – as it is purely about the bohemian-bourgeoisie undertaking costly actions to demonstrate they are not complicit in the globalized, liberalized, capitalist order of the 21st century, even though they are the very elite of that order.

Thus a paradox of the new status signaling. The group that is the cultural elite of the so-called neoliberal order expends a great deal of resources signaling their disapproval of the neoliberal order so as to elevate themselves higher in the pecking

order of that very same group. This means that despite some self-awareness about it found in *Stuff White People Like* and *Portlandia*, new status signaling will continue in some form (if not all its trappings) until the bohemian-bourgeoisie is supplanted from the elite, just as the bourgeoisie and the aristocracy were before them. Unlike Marx, however, I offer no dialectic explaining how such a sea change would occur or even whether it will occur at all.

ECONOMIC IMPLICATIONS

If conspicuous consumption in the 21st century has a different nature to the stereotypes of old status signaling, then there is good reason to believe that policy implications differ as well. Old conspicuous consumption, as emphasized by those like Frank (2011), is simply not the path to social status. “The New Pecking Order” (Brooks 2000: 48) of status signaling has artists who incidentally acquired wealth or college professors at the top, not businesspeople. “A novelist who makes \$1 million a year is far more prestigious than a banker who makes \$50 million” (ibid. 49). This means that, if we view status goods as externalities akin to rent-seeking, then the raw amount of consumption is hardly an effective indicator of consumption of status goods. This is especially true today when the status goods are directly related to expressing a rejection of mass consumerism.

There are two interpretations of what appears to be old status seeking still present in 2016. One is that they are the elitist version of teenagers whose fashion statement is five years out of date; in attempting to signal high status, they signal low status. A direct analogue to this would be a failed lobbyist (he who seeks rent but fails). Alternatively, and perhaps more persuasively, a huge yacht or an SUV is simply what is next on your schedule of goods when extreme diminishing marginal utility of income sets in. Large yachts or SUVs may in fact confer utility beyond acting as status goods, after all.

This cautions the imposition of punitively high consumption taxes on the rich for the purpose of taxing status goods. A consumption tax may have many desirable characteristics relative to taxes on income or capital, but it should not be viewed as a free lunch as a tax on externalities is typically. Correcting the market failure of status goods as they exist in the 21st century is considerably murkier.

In fact, many goods that are closely tied to new status signaling are given preferential treatment in the tax code, as are for example education or certain ostensible charitable donations. Taxing them as externalities is hardly on the table anywhere on the political spectrum, or in the world. Another paradox of status goods – once they are widely recognized as such, they cease to be status goods for the elite – is that any attempt at actually improving welfare by taxing status goods will almost inevitably be frustrated. What will instead be taxed are goods that the elite now recognizes were status goods in the previous generation, and it is no longer clear those goods are credible signals of status.

I also conjecture a second characteristic of the new status signaling that distinguishes it from old status signaling. While old status signaling centered on the bigger and the gaudier, signaling more strongly under new status signaling requires true creativity; indeed there are parallels with what has been dubbed the “Creative Class” (Florida 2002). If the entrepreneurship performed by the creative class is actually much about the pushing out the frontiers of new status seeking, then it constitutes a great deal of unproductive entrepreneurship in the sense of Baumol (1990). If this conjecture is true, it implies that the welfare effects are more pernicious under new status seeking than under old, contrary to the argument of Congelton (1989).

CONCLUSION

An awareness of new status signaling should be more widespread, especially in academic circles. Notwithstanding the brief fad of ridiculing “hipsters,” new status signaling is not as recognized as crass old status signaling still is. Perhaps this is because, for a behavior or good to become a signal of status, it must become a trait of the same cultural elite that would be doing the mainstream criticism, whether in popular culture or academia. The more nuanced view of what actually signals status also leads to an understanding of why public solutions to the welfare losses are so elusory; it is not simply about taxing diamond rings and SUVs. Still, we may privately condemn the shortsighted competitive expressions of disapproval of globalization and liberalization for what they are: simple conspicuous consumption.

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