

## The Economics of Status

*They say in Harlan County  
There are no neutrals there  
You'll either be a union man  
Or a thug for J.H. Blair*

*Which side are you on?  
Which side are you on ...*

Some people view the world, at least major parts of it, as a zero sum game, an interaction where what one person gains another loses. With this point of view, it is natural enough to see all disagreements as questions of which side you are on. Do you favor workers or employers, landlords or tenants? That was the view that Robert Wolff offered and I denied, as described in Chapter XXX (Libertarian: Arguments with Interesting Leftists). The alternative view is that disagreements are not merely about how to divide up a pie but about how to change its size. The question is not only us vs them but also our arguments vs their arguments, with some hope that one set of arguments will eventually persuade almost everyone.

These different viewpoints are reflected in the choice whether to pay attention to relative or to absolute measures of wellbeing. If we define the poor as the bottom ten percent of the income distribution we can be confident that they will always be with us. If we define the poor by the real income of the tenth percentile as of, say, 1900, then the problem of poverty has been solved; the number of people in developed countries with incomes that low is close to zero.

Economists usually prefer absolute measures since they routinely deal with issues of how to expand the size of the pie, increase economic efficiency.<sup>1</sup> But although economists may care only about absolute outcomes, people care also, care a lot, about status, signaled in large part by relative income. How much one employee is paid may be less important to him than how his pay compares with that of other employees. Robert Frank, an original and interesting economist,<sup>2</sup> has written a whole book (*Choosing the Right Pond*) on the economic implications of the fact that people care about relative status.

It sometimes appears from putting the question to people that many care more about relative income, would rather make \$50,000 in a world where the average is \$25,000 than \$100,000 in a world where the average is \$150,000. Evidence against that preference, based on behavior not speech, is there is much more immigration from poor countries to rich than the other way around; someone who moves from Nigeria to New York is almost certainly lowering his income relative to those around him.

It seems obvious that if one's concern is status we are in a zero-sum game, that if my status increases relative to yours, yours has decreased relative to mine. If status is important, that supports the approach to politics that sees it mainly as a question of who gets to benefit at the expense of whom, which side who is on.

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<sup>1</sup> For details of just what that means, see the relevant chapters of several of my books: Chapter 15 of *Price Theory and Hidden Order*, Chapter 2 of *Law's Order*, Chapters 43 and 54 of *The Machinery of Freedom*.

<sup>2</sup> Who I argue with in Chapter XXX.

That is true about relative income but false about status more generally. This point was first made clear to me when, as an undergraduate at Harvard, I realized that I was observing the perfect social system: everyone at the top of his own ladder. The small minority of students passionately interested in drama knew perfectly well that they were the most important people at the university; everyone else was there to provide them with an audience. The small minority passionately interested in politics knew that they were the important ones; their friends were there to be herded into meetings of the Young Republicans and Young Democrats in order to get them elected to positions in those organizations that were the stepping stones to further political success. The small minority ... .

I exaggerate, of course; no doubt there were some students who regarded themselves as at the bottom. But it was clear from that experience that status was not an objective ordering on which everyone agrees. What matters most to me is my status as perceived by me and the people important to me. What matters to you is your status as perceived by you and the people important to you. It is possible for my status as I view it to be higher than yours and yours as you view it to be higher than mine, and both of us to be right.

The point has been born home to me repeatedly since in other contexts. There are quite a lot of people in science fiction fandom, the Society for Creative Anachronism, and I am sure many other social circles, who work at a not very high status and not very highly paid job while putting their real passion and energy into their hobby. One reason to do so, although not the only reason, is that it lets them buy status. One way of succeeding in a hobby, getting status, is being willing to put much more of yourself into it than other people. Being a male nurse is not a terribly high status job, but that may not matter if you are also King of the Middle Kingdom. And the status you get by being king does not reduce the status of the doctors who know that they are at the top of the medical ladder and the nurses at the bottom. It is the same point I made about SF authors in Chapter XXX [Gifts].

For another example, consider teachers. Elementary school teachers have a positive public image but not much real status outside of the classroom. In the classroom, where they spend quite a large part of their time, they are king, queen, mother, father, alpha wolf, wise mentor, ultimate figure of authority for fifty minutes out of every hour — or at least can be those things if they want to and are competent at the job. That may be one of the most important fringe benefits of teaching. Professors get it too, along with more status outside of the classroom. That may be part of the reason that both professors and schoolmarm have a reputation for being bossy sorts who are sure they know best; they spend a large part of their lives in an environment where they often do know best and are entitled, to a considerable degree, to boss the other people in the room around. It may also be part of the reason that people are willing to take those jobs even when they could make more money doing something else.

For a third example, consider advertising designed to confer status via products: clothes, perfumes, automobiles. People it convinces buy the products and get the status. People who do not see the ads or see them but are unconvinced do not associate the goods with status and so do not lose status by not buying them. I get my pants mail order from Haband — the poor man's equivalent of Beans or Lands' End — because I am short and they carry a wide range of sizes. I expect there are people who can judge at a glance how expensive one's clothes are and rank people accordingly but they are not the people I want to impress, at least not for my clothes.

If people value status and status is not a zero sum game, one way of improving a society is by expanding the size of the status pie, making it possible for more people, ideally practically everyone, to be above average. The last thing we want is a system for objectively ranking people, defining status in a way that everyone agrees on. If we are so unfortunate as to get such a system rational individuals in search of status will promptly subvert it, create their own subgroups with their own ranking: the Benevolent and Protective Order of Elks, the Freemasons,<sup>3</sup> the Independent Order of Odd Fellows, the Loyal Order of Moose, the Ancient Arabic Order of the Nobles of the Mystic Shrine.

It is easier to increase your status if you can find a way of doing it that does not decrease anyone else's.

### **Status and Mate Search**

If you and I are competing for the same woman what matters is not how you or I judge our status but how she does; anything that increases my status by that measure lowers yours. That suggests that the human taste for status, reflected in the concern with relative rather than absolute income, may have originated in the context of mate search where all men are competing for a fixed supply of women, all women for a fixed supply of men. We are, after all, “as if designed” by evolution for reproductive success, and finding a mate or mates is a critical input.

Yet even in that context, status is not entirely objective or zero-sum, because different individuals value, and pursue, different potential mates. Your ability at football increases your ability to compete for a mate within the subset of potential mates who value that ability. It is less relevant, perhaps irrelevant, to my ability to compete for a mate if that is not the sort of mate I am looking for. You may be similarly uninterested in those who interest me.

This is not a purely theoretical point. I met the woman to whom I have now been happily married for some forty years when she was a graduate student. I calculated at some point that, judged by the characteristics I valued, she was about a one in ten thousand catch. Yet not only was she not being courted by any rivals, I was the first man she ever dated.<sup>4</sup>

### **Manufacturing Status**

Staying at a fancy hotel in a poor part of the world, I was struck by how many hotel employees were hanging around ready to help the guests at any opportunity. In part that reflected the low cost of labor but there were so many, mostly doing nothing, as to give the impression that the marginal product of the last few must be very close to zero, so why were they there? One possible answer is that having lots of people around who are visibly lower status than the guests is intended to make the guests feel important, high status.

Along similar lines, consider the difference in the U.S. between fancy hotels and nice but not fancy hotels, chains like Hampton Inn. The space and comfort of the accommodations is not very different, although the fancy ones have more polished marble in the bathrooms. Perhaps a good

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<sup>3</sup> Whose emblems and symbols, we are told [by Ambrose Bierce](#), “have been found in the Catacombs of Paris and Rome, on the stones of the Parthenon and the Chinese Great Wall, among the temples of Karnak and Palmyra and in the Egyptian Pyramids — always by a Freemason.”

<sup>4</sup> Her explanation, some decades later, was that she had surrounded herself with an invisible “not interested” aura and I was the first man too clueless to notice.

deal of what you are paying for, what makes the difference in characteristics between the two sorts, is status provided in part by surplus employees.

One commenter on my blog suggested that I might be viewing it from the wrong side. To a poor person in a poor country an international traveler, especially the sort who stays in a fancy hotel, already has high status — and status is to some degree contagious. The surplus servants get to tell their friends that they helped a rich foreigner, which makes them seem more important to their friends. That fits a pattern that I have observed repeatedly at first hand. I am a fairly prominent figure among libertarians, a big fish in a small pond. When I speak at a libertarian event, people want to be photographed with me.

I have been on the other side of that transaction as well. I once attended a talk on Open Source software by Eric Raymond, whom I knew online as a fellow libertarian but had probably never met. I introduced myself after the talk as David Friedman. When he responded with “not David Director Friedman?” I could feel my status in the room shooting up.

A different example of manufactured status is provided by a video game such as World of Warcraft. The player is a hero surrounded by computer generated non-player characters (NPC’s), most of whom are not. In the course of his adventures he may occasionally be defeated, even (temporarily) killed, but he wins many more fights than he loses. From time to time he succeeds in a quest and his triumph, in some cases supposedly world-saving, is loudly announced by one of the NPC’s.

In one of my favorite recent science fiction series, the *Torchship Trilogy* by Karl Gallagher, the approach is carried even farther. There is a planetary welfare state with a substantial fraction of the population permanently unemployed, entertaining itself largely online.

“Humans have an inherent aversion to being permanently at the bottom of a status hierarchy—the omega of a group. Call it omegaphobia. A person feeling stuck in the omega position will take high-risk actions to achieve higher status or force another member of the group into the omega position. This can be crime, sexual liaisons, attacks on members of rival groups, or accusing in-group members of betraying the group.”

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“When I looked more closely at that population I realized that they were not displaying expected omegaphobic behaviors. They were killed repeatedly in games and kept playing without altering tactics. They lost arguments in social media and gave up. They entered competitions they couldn’t win. And then they publicly whined about it where the winners could read and gloat. All aberrant behavior for humans.” (An AI explaining how he spotted the fictional people)

The rulers have created a population of fictional losers, non-player characters pretending to be people, so that the real losers will believe there are people below them. It works — until someone tries to track down one of the losers and discovers that he does not exist.

### **On the Other Hand**

The flip side of the value of status is its disvalue; some human interactions work better between equals. My wife feels more comfortable in the kind of hotel or motel where it seems natural for her to hold open the door for someone who is going through it with an armful of laundry. On one

occasion, a few years after we were married, we came into a small middle eastern restaurant in Chicago. Coming across the floor the waiter/proprietor somehow tripped and I helped him back up. In the conversation that followed he asked us if we were on our honeymoon. We replied that we were not. He asked if we had any children. We did not.

“Then you are on your honeymoon.”

(He was right.)

That exchange would have been less likely if either we or he had seen an important status difference between restaurant customers and those that served them.

One of the many things I admired about my late father was that he treated everyone as an equal, was as willing to argue economics with a cab driver or gas station proprietor as with a fellow economist. The same thing struck me reading H.L. Mencken’s diary. On one occasion he went to visit a friend who lived in the countryside, was picked up at the rail station by the friend’s black chauffeur. Mencken got into conversation with the chauffeur, found him to be uneducated but intelligent with a view of the world that Mencken found interesting. The next time Mencken went to visit the friend he was looking forward to another conversation with the chauffeur. Unfortunately there was another guest, a white woman, and, to Mencken’s disappointment, in her presence the chauffeur was unwilling to talk.