

[The Oil Drum: Campfire](#)

Discussions about Energy and Our Future

(The) Something is Rank

Posted by [Nate Hagens](#) on March 28, 2010 - 8:52am in [The Oil Drum: Campfire](#)

Topic: [Sociology/Psychology](#)

Tags: [gini coefficient](#), [relative fitness](#), [status](#) [[list all tags](#)]

In the resource depletion soup, one ingredient looms large – social equity. Equality is a function of population, social status aspirations and resources. With a small population, everyone can have reasonable equality. With unlimited resources, the same (although the amplitude generated by law of large numbers will exert outsized social pull from the top). But with large populations AND limits to resources, equity can only be reasonably attained if the activities that generate rank are not resource intensive. Via globalized markets, the cross border pursuit of profits has gradually morphed into a cross border pursuit of goals - money has become a global proxy for power and thus for status and money (profits) is a resource intensive international goal. Tonight's campfire takes yet another look at one of my oft-written about oil drum topics: how we compete for social status while facing limits to growth.



"Wealth - any income that is at least one hundred dollars more a year than the income of one's wife's sister's husband."

H. L. Mencken

Between at least Jason and myself, there have been over a dozen posts on TheOilDrum relating to status, resource competition, being happier with less, and changing societal carrot away from [Veblen goods](#) and conspicuous consumption. It seems a general theme is that once basic needs are met, relative status matters much more than absolute. I apologize I can't neatly compress all this into a concise post, but here's an update: (and [here is a primer on the Psychological Roots of Resource Overconsumption](#), itself in need of an update).

In a [new study on the rank income hypothesis](#) a team led by psychologist Christopher Boyce studied over 80,000 people, their incomes, and overall life satisfaction. The researchers found that *the ranked position of an individual's income predicted life satisfaction, whereas [absolute income and reference income had no effect](#)*. This should be no surprise to any biologist familiar with the concept of [relative fitness](#) or [sexual selection](#), *but zero of the 30 references in the paper referenced biology* or any of the evolutionary explanations of our neural penchant to compare ourselves to others.

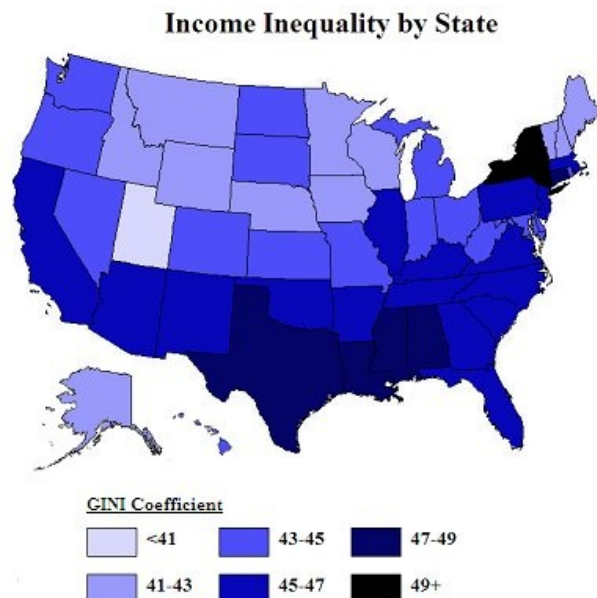
Our study underlines concerns regarding the pursuit of economic growth. There are fixed amounts of rank in society—only one individual can be the highest earner. Thus,

pursuing economic growth, although it remains a key political goal, might not make people any happier. The rank-income hypothesis may explain why increasing the incomes of all may not raise the happiness of all, even though wealth and happiness are correlated within a society at a given point in time.

Although general intuition tells us that having a good social standing makes us feel good, the idea that a good reputation is a 'reward' just like money has long been just an assumption. [Recent neuro-imaging experiments](#) however have shown that both reputation/rank and monetary rewards are processed in the same brain region - the striatum.

"We found that the brain reacts very strongly to the other players and specifically the status of the other players," Zink says. "We weren't expecting that profound a response," she adds, noting that the subjects seemed to be concerned with the hierarchy within the game even when it was of no consequence to how much money they could make.

These types of economic studies showing that relative vs absolute levels of consumption/wealth are potent drivers have been studied for a long time, since the [Easterlin Paradox](#) became a hot topic in the 1970s. One example was economist Robert Franks simple study asking people if they would prefer living in a 4,000 square foot house where all the neighboring houses were 6,000 square feet or a 3,000 square foot house where the surrounding houses were 2,000 square feet – the majority of people chose the latter – smaller absolute but higher relative size. Though high perceived relative fitness is a powerful behavioral carrot for individuals, the inevitable resulting [inequality has pernicious effects on societies](#): eroding trust, increasing anxiety and illness, and excessive consumption. [Health steadily worsens as one descends the social ladder](#), even within the upper and middle classes. These are just some examples of the growing research highlighting not only that we care enormously about our social pecking orders but the wider the variation in rank the worse of we are.



*Is it an advantage to live in a light blue state? (GINI in graphic is GINI *100)*

The [GINI coefficient](#) is a measure of wealth or income equality - a GINI of 1 means one person has all the wealth and everyone else has nothing - a GINI of 0 means everyone has the same wealth. In addition to having an interest in this type of research, I also happen to be experiencing it in real time. I make less money now than I have in 20 years (actually I make no money and am drawing down savings and at this pace I estimate I'll go broke in September of 2016). But this would just be broke financially - I'm now surrounded by a social group that cares about non-pecuniary pursuits and accomplishments. Sure - none of us are starving or broke, but the day to day pressure of keeping up with the Joneses by getting on the financial/Veblen good treadmill are absent in my geographic circle. Jones lives in my neighborhood as well, but his *signals* are absent.

(I remember sitting in a cubicle with 10 other guys at Salomon Brothers 11 hours a day cold calling billionaires. The neural correlation between 'rank' and 'money' was about 99% back then. The main lessons I learned then were a) the wealthy were no happier than the clerks processing their trades, b) status and wealth were cumulative but the dopaminergic reward pathways reset every morning and c) those who achieved power and status would not give it up without an intense fight.)

In a society with significant overall surpluses, people who actively lower their own economic and ecological footprint might get by very well, because their relative status - which is typically above average - allows them to make those reductions without reaching limits that compromise their well-being. These people have an opportunity to redefine what sort of 'capital' we compete for - as they allocate time and resources away from financial marker capital and towards social, human, built and natural assets. These people above the median in social status can make better choices for their own lives, though in the end the odds are that what we compete for will not change by volition but by circumstances.

And, on the flip side of the 'less-is-more' bandwagon, is the fact that biological organisms, including and especially humans, always consume surplus resources (Maximum Power Principle and all that.) Total equality in resource use is as much of a myth as a benevolent dictator telling us our optimal allocations. We will always seek status and have social hierarchies in human society. And higher ranking males and females, on average, will have higher respect, admiration and as a consequence, higher/more mating opportunities, consistent with the evolved *raison d'être* of rank.

In my career as a trader and consultant, I often witnessed that the seemingly most unacceptable solution ended up being the best. Perhaps the fact that 80% of resources are being consumed by 20% of the people would be *improved in aggregate* if we went towards *less* equality and had 90% of resources consumed by 10% of people, as long as it killed the aspiration of others towards conspicuous consumption (well, it might not kill the aspiration, but perhaps the means). Although I understand the academic arguments of both sides and the historical importance of equality, I sometimes wonder if pursuing a blanket policy of more equity would be *worse* for the planet. Certainly it would if economic growth continues as an objective as many more people are joining the party very late in the game. In any case, unless we first understand and then integrate demand side constraints such as the 'rank income hypothesis' into our policies, culture and institutions, sustainability will be another receding horizon.

Finally, the biggest aspect of 'rank' that concerns me now is the large swaths of demographics that are in fear of their social rank vis-a-vis their fellow Americans (or Earthlings) changing due to new political rules, bailouts, regulations etc. I don't agree with what our government is doing right now either, but I wish people that respond to change like Tea-Partiers or health-care rioters, etc. would understand the broader backdrop of our running into exponential growth limitations will require across the board sacrifice and reduction of living standards in aggregate. Unfortunately, without this knowledge of ecological limits, all sacrifice and lower living standards, both within and between nations, are likely to be 'perceived' as relative rank drops for those affected. And we're already seeing hints of the likely responses.

Our government (and others) continue to at least attempt to level the playing field via what can best be described as stealth nationalization. Increasingly the government trough is making up a larger % of the feedlot, both on the wage side and on the debt side. At each new turn however, spreading the social equality safety net wider is taking another hefty chomp out of our currency and sovereign health. What I hadn't realized before but that is taking on increasing relevance, is that the coming debt deflation and currency reforms are likely to automatically lower the GINI, as significant paper wealth will eventually disappear. Instead of viewing currency reform and a reshuffling of claims as either inevitable and/or frightening, perhaps we can come up with a creative, not-too-disruptive plan where financial descent is paired with aspiration descent so that energy descent is more manageable.

I don't know but am open to suggestions.

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Campfire Questions

1. How can we use our increasing understanding of status, resources, and the neuroscience of human behavior to influence/create a more benign future?

2. Competition with con-specifics is part of our heritage. But so is cooperation and empathy. What level of wealth disparity would be healthy and/or tolerable for future of US society? Might less equality be a good thing?
3. How might the debt/financial crisis be an opportunity towards making headway on issues of social equity, both within the United States, and between the United States and other, less well off countries?
4. Any good ideas on how to change our status/aspiration metric away from conspicuous consumption?(this has been asked before but is important enough to throw out to this lateral thinking crew, on occasion).
5. Can you think of creative ways to downsize your own aspirations by changing social groups?

Answer any/all you'd like to. I'll kick off the discussion by quoting from one of [Herman Daly's guest posts](#) on theoil drum, on this same topic.

Limit the range of inequality in income distribution—a minimum income and a maximum income. Without aggregate growth poverty reduction requires redistribution. Complete equality is unfair; unlimited inequality is unfair. Seek fair limits to the range of inequality. The civil service, the military, and the university manage with a range of inequality of a factor of 15 or 20. Corporate America has a range of 500 or more. Many industrial nations are below 25. Could we not limit the range to, say, 100, and see how it works? People who have reached the limit could either work for nothing at the margin if they enjoy their work, or devote their extra time to hobbies or public service. The demand left unmet by those at the top will be filled by those who are below the maximum. A sense of community necessary for democracy is hard to maintain across the vast income differences current in the US. Rich and poor separated by a factor of 500 become almost different species. The main justification for such differences has been that they stimulate growth, which will one day make everyone rich. This may have had superficial plausibility in an empty world, but in our full world it is a fairy tale.



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