Preface

The period of Great Moderation, roughly from the early 1980s until the financial crisis of 2007–2008, was a defining moment of history, in which self-interest, business and consumer optimism thrived in a commercialized era of contentment. The media, the financial world, the stock market with companies, mainly from the information technology sector, were glamourized and media superstars and celebrities like Donald Trump and Madonna were widely seen as symbols of this period. In the midst of financial and housing bubbles, uncertainty was considered impossible constraining well-informed analysis to mere what-if questions. ‘Can it happen again?’ Hyman Minsky asked thirty years ago regarding the prospect of a severe economic crisis, which eventually materialized with the Great Recession.

The glamourized world of contentment was certainly not a new phenomenon. John Kenneth Galbraith warned in his influential books, The Affluent Society and The Culture of Contentment, that contentment relates closely to affluence and its attitudes cherishing the earlier ideas of Thorstein Veblen on the behaviour of the leisure class. More than a century ago in his masterpiece The Theory of Leisure Class, Thorstein Veblen utilized the notion of conspicuous consumption to analyse the preoccupation of the rich with conspicuous consumption as a display of status and superiority.

However, contentment is not confined only to the superrich as middle-class individuals, even those from its lower social groups, have indulged in consumption excesses for expensive goods and services relative to their underlying incomes. In addition, they have become eager to pursue occupation choices, which are highly competitive in order to become rich instantly. During the Great Moderation, social and cultural norms were strikingly different from the turbulent 1960s and 1970s, when concerns for social equity and social change were popular. But in the subsequent years of glamourized contentment, calls for social and cultural change to address urgent issues of income inequality and social injustice had little influence. People have been caught in the seductive world of commercialism fuelled by the explosion of media, popular culture trends and the lives of media superstars. Many individuals experienced an enormous
saturation of images and symbols in diverse aspects of their social life rendering them powerless.

The phrase: ‘sell the sizzle, not the steak’, which became popular in the 1980s, was the epitome of modern sales, marketing and advertisement. Economic change is not only a matter of mechanical markets. The sustainability of free-market economies depends also on the human condition and its psychological tendencies to seek the sizzle of the glamourized world of contentment through exposure to status goods and superstar opportunities. On the basis of this condition, the present volume develops an alternative behavioural companion to a burgeoning literature on economic issues such as inequality and unemployment. This happens because although status matters more to the privileged, poorer latecomers are hurt more from being involved in the excesses of superstar markets.

Fortunately, the explosion of financial markets during the last three decades allowed economists to grasp the importance of principles of human psychology and how they relate to economic realities. The new field of behavioural economics has grown immensely challenging the dominance of traditional wisdom in different areas. In this creative milieu, novel ideas were cultivated and tested empirically. One such idea was Sherwin Rosen’s superstar hypothesis, upon which a great literature was developed. Subsequently, Robert Frank focused on the impact of professional superstars and the social cost of luxury consumption, and proposed the idea of a progressive consumption tax on status goods and services to facilitate an adjustment towards equality without impairing economic prosperity. This proposal has been opposed fiercely by the neoliberal establishment.

While this form of policy faces obstacles, a supplementary and more practical option is to develop distributive policies for those groups of individuals, who are more exposed to the costs of overconsumption of status goods and services and of their overexposure to the tournament characteristics of superstar markets. This strategy is especially effective within a framework of culture change policies, which are already implemented in the European Union in sectors such as health, education and the environment.

The title of this book describes the process of addressing political economy concerns on status and superstars and relating them with policies of culture change. My approach is pluralist and interdisciplinary, drawing insights from diverse social disciplines and schools of thought. The rich microeconomic evidence from behavioural economics is enhanced by human psychology research and relates to ideas from sociology, anthropology and philosophy, which offer valuable insights into social issues and their political dynamics. Thus the book offers an
added impetus to the expansive behavioural dimension of mainstream economics by pursuing behavioural economics more generally into other disciplines including sociology. In this vein, the 'return to Veblen' serves as a very appropriate line for taking the broadening of the behavioural approach forward.

This pluralist approach is advantageous because it unveils overlooked dynamics and enriches the analysis concerning the interplay between markets and its incentives, human psychology, visual symbols, social costs and inequality towards a direction that standard economics with its technical orientations has not managed to produce. Nevertheless, the message is an optimistic one: properly fine-tuned culture change policies can effectively address the social costs of status and superstar markets and circumvent policy inertia regarding the implementation of a progressive consumption tax. In doing so, these interventions can empower people to become socially conscious, to realize the sizzle of authentic lifestyles and to develop successfully their talents.