Clamping Down on the Joneses

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Robert Frank is a Cornell University economist who has written a series of books and articles kvetching about the enormous social damage allegedly wrought by competition in American life.

One of Frank's more remarkable arguments is that "expenditure cascades" initiated by the rich have "caused undue harm to others." An example of such harm occurs in bidding for a house in a superior school district. Frank's story goes something like this. In the United States, the best schools are usually located in more expensive neighborhoods, mainly because local property taxes fund a lion's share of a school's budget. In order to get its children into a school of average or better quality, therefore, a family must outbid at least half of the families with children of school age for a house in a more expensive neighborhood. This is a matter of simple arithmetic, as Frank admits, because half of all schools must be of average or lower quality. But this is meaningful nonetheless, he argues, because school quality is defined in a relative sense: a "good school" generally means one that compares favorably to others. Thus prices of homes in more expensive neighborhoods with better schools get driven up even further. But such consumption spending is purely wasteful. Like a military arms race, the spending by the competitors does not change their *relative* positions: half of all students will still attend above-average schools and the other half will be trapped in below-average schools

But how do the rich figure into all this? They exacerbate the problem of expensive neighborhoods by unleashing an expenditure cascade on society. You see, the top earners in the United States, who, according to Frank, have captured the largest share of income gains for the past three decades, have been purchasing larger and more expensive homes. Now this would be okay, or at least not socially harmful in itself, except that this behavior "shifts the frame of reference" for those of slightly lesser means moving in the same social circles as the rich. These almost, nearly, wannabe rich begin to feel that they too must now build larger homes to maintain their social position. And so the frenzy of spending on oversized housing cascades downward to the upper- and middle-middle classes who rush to build McMansions. Of course, no one is any happier though because — you guessed it — relative housing sizes and social positions of the various classes have not changed much. The only effect of the expenditure cascade is an enormous waste of scarce resources that could have been used to improve social welfare but have been irretrievably sunk in unwanted and underused housing capacity.

Frank here invokes John Stuart Mill's harm principle — government can legitimately restrain people only when their actions cause undue harm to others. He uses Mill's principle as a scientific cloak for his Ivy League professor's value judgment that the housing expenditure cascade launched by the rich not only is wasteful but has "unduly harmed" middle-class families. According to Frank, existing property rights, which include the existing tax laws, therefore violate Mill's principle and must be reformed to encourage an efficient use of resources. Basically Frank thinks that because "keeping up with the Joneses" is socially harmful, we need to rein in and clamp down on all the "Joneses" in the world. In particular, a steeply progressive consumption tax that starts out at 10 percent and rises to a marginal rate of 100 percent — that's right 100 percent — would suppress these wasteful expenditure cascades. Furthermore, Frank opines, while inducing the wealthy to build smaller mansions, it would leave them just as happy as under the earlier tax regime, because after some point it is the relative mansion size that matters.

These pernicious and self-defeating expenditure cascades have also been loosed on society by the rich in other areas such as weddings, for example, where the inflation-adjusted average cost of a US wedding has tripled from 1980 to 2007. Of course a middle class family victimized by the expenditure cascades could have refused to make bigger and better weddings, Frank concedes. But in this case, he laments, "it can do so only by disappointing loved ones, or by courting the impression that it failed to appreciate the importance of the occasion they were celebrating."

And this brings us to Afghanistan. Last year, the Afghan Justice Ministry proposed a [law](http://www.rferl.org/content/afghanistan_weddings_taliban_proposed_law_controversy/3557628.html) aimed at preventing Frankian expenditure cascades in the size and lavishness of weddings. For example at some weddings hosted by wealthy Afghan families there are a thousand guests and some brides change their outfits ten times. This sets an example for and puts pressure on poorer Afghan families to throw more lavish wedding receptions and some are driven into debt, while the children of others are discouraged from marrying. The law would limit the maximum number of wedding guests to 300 and the amount of money spent per guest to $5. In addition, the bride would be permitted only one engagement party dress and one wedding dress. The law would also set up wedding committees to police compliance, and these would include members of the Religious Ministry. Such committees are reminiscent of the committees set up by the former Taliban rulers to ensure adherence to Shari'a law, which banned dancing and music at weddings. This may be one of the reasons why over a year later the law still has not been enacted by the Afghan parliament. But even if the law is not a cover for reimposing the Taliban's draconian restrictions on weddings and other aspects of Afghan civil society, as some fear, it would still mandate government involvement in the most intimate details of planning for every wedding, such as counting the number of guests, approving the attire of the bride-to-be, and monitoring costs.

As one young Afghan law student protested, "I am against monitoring weddings. It is inadmissible to interfere into either the personal or family affairs of people." To that I say,"Amen." Now it is of little consequence whether lavish weddings are discouraged by Talibanesque police squads or Frankian 100 percent–marginal-rate-consumption taxes, and whether such policies are designed to "protect" poor rural Afghan families from incurring too much debt or to enforce the pseudoscientific social-welfare standard of "avoiding undue harm" fancied by Robert Frank. The plain truth is that these policies constitute an attempt to forcibly impose the arbitrary values of an arrogant and self-appointed intellectual elite on the most intensely private affairs of the productive majority who are choosing to spend their money according to their own preferences and personal-welfare evaluations.