International Journal of Management and Marketing Research
Vol. 11, No. 1, 2018, pp. 27-40
ISSN: 1931-0269 (print)
ISSN: 2157-0698 (online)

www.theIBFR.com

IS CONSPICUOUS CONSUMPTION OF BUSINESS LEADERS JUSTIFIED AND MORALLY DEFENSIBLE?

Shaheen Borna, Ball State University, USA
Russell Wahlers, Ball State University, USA

ABSTRACT

Over the past couple decades as the accountability of corporate executives has been increasingly scrutinized, the popular business press contains numerous accounts of both corporate and personal spending excesses that have caught the attentions of shareholders, public policy makers, and the public at large. Conspicuous consumptions by corporate managers raises a wide range of issues. This paper attempts to provide some needed balance in understanding managers' behaviors by drawing some examples from both the historic and more contemporary literature on conspicuous consumption. In this paper, we first demonstrate that conspicuous consumption of corporate leaders can be justified from economic, marketing, and philosophical perspectives. Second, we present a religious perspective in order to provide a contracting view of the morality of conspicuous consumption. Our analysis concludes by offering a perspective rooted in balancing property rights, efficiency, and equity.

JEL: M1, M2, M3, M4

KEYWORDS: Conspicuous Consumption, Ethics

INTRODUCTION

The accumulation of wealth and its relationship to social status has historically played a significant role in many cultures. The mere possession of wealth was not sufficient for social status among the Kwakitutl Indians. To acquire such status, a public display of wealth was necessary. This usually took place within the framework of potlatch ceremonies during which the host gave lavish presents to his guests (Codere, 1950). The contemporary versions of the Indian potlatches are the parties of "the superrich." Examples include: dinners on horseback; banquets for pet dogs; hundred-dollar bills folded into guests' dinner napkins; a hostess seating a chimpanzee at her table; lightly clad maidens swimming in glass tanks or emerging from huge pies; cigars ceremoniously lit with flaming banknotes of large denominations (see also Horowitz 1985 and Brooks 1981); and well publicized Malcolm Forbes's estimated \$3 million on celebrating his 70th birthday in Tangier Morocco on August19, 1989 (Alter, 1989).

More recently, David Bonderman, cofounder of TPG, spent \$7 million on his 60th birthday party in 2002; Defense contractor David Brooks expended \$10 million on his daughter's bar mitzvah in 2005 and Steve Schwarzman, co-founder of the Blackstone Group, spent around \$5 million for his 70th birthday party in 2017 (Konrad, 2011, ABC News 2017, Sorkin, 2017). These are but a few well-publicized examples of lavish spending by high-profile corporate executives that have caught the attention of the public who increasingly questions this behavior. These practices have recently taken on added scrutiny in today's socioeconomic and political landscapes in which the disparity between the superrich and working class appear to be continually widening while the middle class appears to be shrinking. This paper attempts to examine this behavior of excess and provide a balanced theoretical understanding.

The literature provides several competing explanations that serve to aid in understanding the dynamics of excessive spending by the superrich. In this study, we establish that conspicuous consumption of superrich can be justified from economic, marketing and "philosophical" perspectives. However, from a religious point of view, rooted in the theologies of various faith practices around the world, in a society with many needy persons competing for even the bare necessities of life, such lavish expenditures are at best questionable.

LITERATURE REVIEW AND BACKGROUND

The term conspicuous consumption is not a new phenomenon. It was coined by the economist and sociologist Torstein Veblen in his book "The Theory of the Leisure Class" published in 1899. For Veblen, the term meant the ostentatious display of wealth for the purpose of acquiring or maintaining status or prestige. Veblen's theory has been revitalized in recent years by Duesenberry in 1967 by introduction of the concepts of "demonstration" or "bandwagon" effect. Mason (1981) related the conspicuous consumption to the "snob effect", i.e., consumers' desire to possess a unique commodity having a prestige value. Galbraith (1984) offered an updated version of Veblen's theory by stating that "simple forthright display is now out of fashion and is often referred to as vulgar; required instead is a showing of what may be called obtrusive good taste. That, unlike the conspicuous consumption of earlier times, requires a certain measure of artistic and even intellectual effort" (p. xxii). The results of a cross-cultural analysis of consumers' purchase of branded fashion accessories in Canada and Tunisia indicate that conspicuous consumption of consumers in both cultures is positively influenced by social status display and enhancement of consumer self-image. The same study also shows that conspicuous consumptions in individualistic cultures such as Canada is higher than in collectivist cultures (Souiden M'Saad and Pons, 2011). More recent works (e.g., Kastanakis and Balabanis, 2014), show how conspicuous consumption has changed from an exclusive behavior to mass consumption with the elitists fighting to keep it exclusive.

Between the extreme concepts of conspicuous consumption theories of "invidious distinction' behavior of Veblen and "bandwagon" or "keeping up with Jones" i.e., consumption enjoyed by masses (Page,1992), there is a plethora of national and international studies adding insight on consumers' conspicuous consumption. In countries like India, Vietnam, and Iran, just to name a few, despite the existence of conspicuous poverty, fashion is becoming a major attribute of conspicuousness. Consumers with superior taste but less money compete with those with money but not taste (the expensive dimension vs. the fashionability dimension) (Chaudhuri and Majumdar, 2006).

The nouveau riche in Iran display an insatiable appetite for luxury items such as Porsche automobiles, a gold Rolex or the latest 70-inch flat screen TV, often available through the black market and costing three times as much as in the United States. (NBC, 2014, see also Kermani, 2017). In Vietnam, rising wages as a result of strength in export manufacturing have provided the stimulus for conspicuous consumption among Vietnam's affluent class (Jennings, 2016). Of course, what is considered a luxury item in Vietnam (a mobile phone by Apple, a restaurant serving foreign cuisine, or a motor cycle by Honda and Yamaha) may be considered an ordinary item by US or European consumers. Interested readers in conspicuous consumption in China and India may refer to the Economist (2014) and Gill (2016) respectively.

An Economic Point of View

Irksome displays of wealth by the superrich frequently stimulate a rash of indignant public comment. There are many examples. "A New York Lady, for instance, having a nature of exquisite sensibility, orders an elegant rosewood and silver coffin, upholstered in pink satin, for her dead dog. It is made; and meanwhile a live child is prowling barefoot and hunger –stunted in the frozen gutter outside" (Shaw, 1894, p. 19). In this section, the notion of conspicuous consumption is examined from an economic point of view and it is concluded that communities that are more tolerant of this behavior are likely to be more successful in providing high standards of living for their members. While the accumulation of wealth is something that most aspire to, people object when the winners dangle the evidence of their success before the eyes of the public. Despite this, pretentious displays of wealth have a considerable history and the aspiration of the current Yuppie generation suggests that this behavior will not end soon. The rub is that each of us would like to have more than we can possibly produce, and we are put off by the behavior of others when they appear to be wasteful of the things that, for us, are difficult to obtain.

John Locke was one of the first to suggest that the act of consuming might serve more than the satisfaction of narrowly defined utilitarian ends. Discussing the factors that influence the desire for certain goods, Locke suggested that "The contest and glory is in the expense, not the usefulness of it; and people are then thought and said to live well when they can make a show of rare and foreign things, and such as their neighbors cannot go to the price of" (Speigel, 1991, p. 162). Thorstein Veblen expanded on Locke's view. He suggests that the basis for one's self-respect is the respect accorded by others. Wealth is a magnet for this respect, but it is not enough to simply possess wealth. Wealth must be put in evidence. Wealth must be used in a conspicuous fashion, which necessarily implies an element of waste. The waste about which Veblen writes is evident in Shaw's parable on the New York leisure class mentioned at the beginning of this section.

Essentially, the above argument is a critique of private ownership and its attendant system of markets. It suggests that the institution of private property does not promote the wise and frugal use of resources necessary to maximize welfare. The above authors and others who subscribe to their view suggest that the State would do well to mitigate this undesirable effect by levying appropriate taxes on the wealthy with the proceeds distributed to the less fortunate (see, for example, Veblen, 2000). Despite the fact that Veblen was a trained and practicing economist and that his views continue to be embraced by some contemporary practitioners of the dismal science, his argument regarding conspicuous consumption has very little basis in economics. The argument is essentially ethical. It revolves around what people *should* want. If this differs from what they *do* want, Veblen identifies the consumption patterns as wasteful and suggests that a just policy would levy heavy taxes on such profligate behavior. Economics does not consider whether people should prefer "recitals of modern dance to spiked beer. Strictly speaking, words like *ought* and *bad* cannot occur in an economic discussion—at most one may say that an action is not appropriate to the end in view" (Stigler, 1942, p. 15, emphasis added).

The reason for assigning this limited role to economics is that matters of fact and logic can be resolved through free discussion and study, while differences of taste are not subject to such resolution. The subject of economics concerns the world as it is. Veblen, Shaw and others like them are more concerned with reformation than with the resolution of scientific issues. While economics has relatively little to say regarding Veblen's argument, a few factual points are important. The first concerns the assertion that the consumption patterns of the wealthy differ markedly from those of the poor. The accompanying Table 1 presents data on the percentage distribution of expenditures by category for those families whose incomes ranked in the highest 20 percent of all income earners in the United States compared to those families of average income. While the data indicate some slight differences in the percentage of the budget allocated to food and insurance, the distributions are remarkably similar on the whole. Despite the fact that the Bureau of Labor Statistics does not report expenditures on rosewood and silver coffins for canines as a separate luxury category, the data presented here are not consistent with the notion that the consumption patterns of the wealthy differ markedly from the rest of the community. None of this information denies the fact that the wealthy consume more of everything.

Table 1: Percentage Distribution of Expenditures – Family Income

Category	Highest 20 % Family Incomes	Percentage of Expenditures	All Family Incomes	Percentage of Expenditures
Avg annual expenditure	$158,896	100.00%	$57,311	100.00
Food	$16,054	10.10%	$7,203	12.57%
-At home	$7,135	4.49%	$4,049	7.06%
-Away from home	$8,919	5.61%	$3,154	5.50%
Alcoholic beverages	$1,659	1.04%	$484	0.84%
Housing	$46,076	29.00%	$18,886	32.95%
-Shelter	$28,041	17.65%	$11,128	19.42%
-Utilities	$6,534	4.11%	$3,884	6.78%
- Operations	$4,840	3.05%	$1,384	2.41%
- Furnishings	$5,484	3.45%	$1,829	3.19%
Apparel	$5,290	3.33%	$1,803	3.15%
Transportation	$19,029	11.98%	$9,049	15.79%
Health care	$9,137	5.75%	$4,612	8.05%
Entertainment	$8,262	5.20%	$2,913	5.08%
Personal care	$1,813	1.14%	$707	1.23%
Reading	$349	0.22%	$118	0.21%
Education	$6,743	4.24%	$1,329	2.32%
Tobacco	$204	0.13%	$337	0.59%
Miscellaneous	$2,301	1.45%	$959	1.67%
Contributions	$10,901	6.86%	$2,081	3.63%
Insurance premiums	$31,079	19.56%	$6,831	11.92%

U. S. Department of Labor. Consumer Expenditure Survey, 2016 Table 1203.

This may be viewed as conspicuous, obnoxious and wasteful to some. But differential rewards are spurs to progress. Highly productive and progressive economic systems have never been observed in egalitarian societies. If the front-runners chose to celebrate their success with public displays, we can either grumble in a corner with Veblen or we can celebrate the fact that the wealthy always scatter more crumbs than the poor.

A Business Point of View

Many examples of spending excess reported in the press involve corporate events held for the benefit of top executives and employees, favored customers, as well as high-profile celebrities and public policy makers. Business leaders justify their lavish parties mainly on three grounds. First, these events are used as conduits for promoting their business concerns. Parties and various entertainment events provide a business-relation (relationship marketing) opportunity with business leaders from United States and around the world. Spending on these events is often rationalized as a cost of doing business and has historically been treated as a valid business write-off under prevailing federal tax laws. Aside from serving a role in customer relationship marketing, lavish corporate spending by executives on gala events is probably the "purest" instrumental evidence demonstrating the success of their companies. Second, the parties provide an opportunity for capitalistic justification. As pointed out in the previous section, while wealth is a magnet for respect, it is not enough to simply possess wealth. Wealth must be spent in a conspicuous way. That is, the manner in which wealth is visibly used in excess is a key criterion in demonstrating business acumen. It would be unwise not to go through life enjoying it when a person has good fortune. In the following sections, the primary focus of discussion will be on conspicuous consumption as a public relation tool for promoting the business concern and as an opportunity for reducing tax liabilities of the organization. Several examples are cited concerning excessive corporate entertainment spending and its treatment under current federal tax regulations.

Entertainment as a Tax Write-off: Under Section 274 of the Internal Revenue Code of 1986, a portion (generally 50%) of expenses for entertainment are tax deductible if the corporate taxpayer can show that the amount of the expense for which a claim is made was "directly related" and "associated with" the active conduct of its business. The Code defines entertainment as an activity considered to constitute amusement, recreation or entertaining guests at such places as night clubs, country clubs, sporting events, on yachts or on fishing boats, vacation and similar excursions. The nature of the taxpayer's business is an important consideration in the definition of "entertainment" expenses. For example, a fashion show would not quality as an entertainment expense for a dress manufacturer. The same activity is a legitimate entertainment expense if conducted by an appliance distributor for the spouses of his retailers. The main question in the definition of entertainment is whether or not the activity is directly related to the active conduct of business. According to Revenue Ruling 63-144, 1963-2 CB 129, the corporate taxpayer must show that: (a) it had more than a general expectation of deriving income from person(s) entertained and (b) it did engage in business during the entertainment. Further, this requirement does not necessarily mean that more time be devoted to business than to entertainment (c) the main character of the combined business and entertainment was the transaction of business.

Taxpayers can also deduct a signification portion of entertainment costs if the objective of the entertainment is to generate "goodwill" among business associates. From the IRS point of view, the entertainment expense should be "ordinary" and the circumstances considered to be conducive to business discussion. The main problem is how the terms "ordinary" or "conducive to business discussion" are defined and operationalized. The IRS does not provide specific guidelines in this case. The only stipulation is that the surrounding be such that there are no substantial distractions to business discussion. There is also the question of what constitutes a business discussion. According to the Revenue Ruling, there should be a substantial and bona fide business discussion. Whether a business discussion is "substantial" and "bona fide" depends upon the facts and circumstances of each case.

A question central to this paper is whether the law imposes any limits on deductions for entertainment expenditures that are considered to be "lavish" or "extravagant"? According to Revenue Ruling 63-144, "lavish" or "extravagant" expenditures are not allowed as tax deductions. Unfortunately, the IRS neither provides a definition of the term "lavish expenditure" nor establishes a fixed amount beyond which an expenditure can be considered "extravagant." In fact, entertainment provided at deluxe restaurants or first-class resort areas may be not be "lavish" if the "circumstances" of the case justify such expenses. In general, the Internal Revenue Service considers each case individually, and the decision will be based on "the facts and circumstances" of each case under consideration. It is very difficult to infer from the Revenue Ruling 63-144 whether or not the nature of the entertainment facility used and its location have any bearing on the question of what is "lavish" or "extravagant." Facilities such as a yacht, hunting lodge, and a home in a vacation resort can be used for entertainment purposes, but the costs of facilities themselves are not deductible as entertainment expenses.

The recently enacted "Tax Cuts Act" (H.R.1, TCJA) eliminates deductions for most entertainment expenses after 2017 (Code Sec. 274(a) (1). After 2025, deductions for employer-provide meals that are excludable from an employee's income will be disallowed (Code Sec. 274 (0). The new tax rules related to meals and entertainment does not clear up all confusions related to the old law. For example, the issue of whether business meals fall under the entertainment umbrella, or are still deductible (Russell, 2018), Business leaders might claim their birthday parties as "business entertainment" and deduct its expenses from their gross income. The amount of tax write-off will depend, in part, on the persuasive power of tax attorneys. The attorneys have to convince the IRS that the amount of the expense for which their clients are declaring as deduction was "directly related" to the active conduct of the business. Second, the attorneys have to demonstrate that the party was not lavish or extravagant. Whether the IRS will accept pigeon pie, grilled lamb, scented water and travel to Morocco as ordinary expenses is difficult to speculate at the present time.

Entertainment as a Vehicle for Promoting Business: Publicity involves "non-personal stimulation of demand for a product, service, or idea by means of commercially significant news planted in the mass media and not paid for directly by a sponsor" (Committee of Definitions, 1960). An advertisement in prime-time television may cost the company $400,000 to $500,000 per 30 seconds (Poggi, 2013) whereas a threeminute report on a television newscast would not cost anything for the company. Some of the lavish birthday parties reported in the media are ostensibly highly successful publicity events for the business in questions. Taking into account all the airtime and newspaper space devoted to some of these parties, these entertainment events are probably among the most cost-effective publicity events compared with other paid promotional methods.

A Philosophical Point of View

Aside from taking a business point of view in examining conspicuous spending, it is also useful to consider this behavior from a philosophical perspective. Concerns about the morality of patterns of consumption have persisted since early in American history. The Puritans worried that material comforts, luxuries, and affluence were corrupting influences that would lead to self-indulgence, a loss of self-control, profligacy, and decadence. Their concerns have continued to the present (Horowitz, 1985). In examining the morality of conspicuous spending, a variety of ethical perspectives will be used, including Kantian, utilitarian, virtue, and consequential. The Act of Conspicuous Spending: The appropriateness or inappropriateness of various types of human behavior can often be judged by considering the nature of the act itself. Rape, for instance, is inherently wrong, minimally because it involves a lack of consent and violates personal autonomy in a severe way. But conspicuous spending does not appear to be inherently wrong. There seems to be nothing intrinsic to the *act* itself, as there is in rape that makes the act wrong. Some acts of conspicuous spending might even be praiseworthy. To bring attention to the poor in a region in India, Mother Theresa sometimes spent in a conspicuous way - - going to nice stores with reporters - - spending relatively large sum of money to raise some selected needy to the standard of living of the U.S. poor.

Her purpose was to raise the consciousness of Americans, so they will send more money to help the *foreign* needy, who are much more desperate than the U.S. poor. Even if we add that conspicuous spending is usually for inessential things and tends to be for personal glorification, it isn't clear that the *act* of conspicuous spending is wrong in itself. Early American moral philosophers worried that the consequences of consuming luxuries would be bad. While the act of conspicuous spending may not be inherently wrong, perhaps the consequences are bad. A Consequential View of Conspicuous Spending: A rule utilitarian approach to evaluating the morality of conspicuous spending would have us look at the *consequences of the practice* of conspicuous spending. As we moved toward a more consumer-oriented society in America during the 1800s, concerns were expressed about the consequences this would have. While there certainly were some bad consequences, the economic growth that resulted made a considerable positive difference. Consider a typical U.S. family in 1888. Most people worked on farms for 10-12 hours a day for 6-7 days a week, and earned about $1 an hour in terms of today's prices. They had no electricity, no running water, no toilets, and no central heating. Public health was rudimentary, and only a few safe and effective drugs were available to fight the many diseases of the time (Samuelson and Nordhaus, 1989). Compare that life with the everyday life we have now.

It is true that conspicuous spending was only a small part of the move to a more consumer-oriented society, so most of the beneficial consequences described above were due to general economic growth. But the purchase of what were then viewed as luxuries (cars, refrigerators, radios, TVs, etc.) contributed to this economic growth and the improvement of a family's life. There are several typical consequences of conspicuous spending that pull in opposite directions. For those engaging in conspicuous spending, it may be a way for them to demonstrate that they are successful, so that they may win the admiration of others and influence them. For some observers, this spending may constitute an incentive to work hard, save, and make careful investment, so they too can have more leisure, buy luxuries, etc. But for others, it promotes bitter envy, harmful competition, feelings of inferiority, etc. None of these consequences seem to so outweigh the others that we can decide in favor of or against allowing conspicuous spending.

Conspicuous Spending and Virtue Ethics: Another approach to the morality of conspicuous spending is to look at the type of person who engages in conspicuous spending, to look at some of the typical character traits of such a person, and to what motivates the person. A virtue is a character trait that is desirable because it contributes to the good of humans, while a vice is the opposite. From a virtue perspective, conspicuous spending may not be wrong, but it may reveal a defective moral character, a person who is less than our moral ideal. _Let's concentrate on conspicuous spending primarily when it is for oneself. A person who tends to engage in this may have a variety of traits usually viewed as vices. The person may be rather selfish, that is, have an excessive concern for himself at the expense of others. Selfishness is viewed as a vice: something bad, not praiseworthy, to be avoided, a moral defect of character. In addition, the selfish person may have a cluster of related traits, all of which are vices. For example, he or she may be conceited, excessively proud, and self-glorifying. And because he or she is so self-centered, the person often lacks compassion and concern for others, is inconsiderate, feels superior and so lacks respect for others, and uses them as a mere means. Furthermore, underlying the conspicuous spending, the person may lack self-control and thus be self-indulgent, intemperate, ostentatious, and profligate. Again, these traits are viewed as vices. None of the above clusters of traits are found in the virtuous person. These are not traits we wish to inculcate in people. Who among us want to be around a selfish, self-indulgent, and inconsiderate person? These traits are inconsistent with Kant's principle that we are to respect people, including ourselves, and from the utilitarian perspective it is hard to believe that having these traits would maximize total welfare. People who sometimes engage in conspicuous spending when it is for themselves may not have these traits. But at least some of these traits are often associated with people who do. So again, it is not that conspicuous spending is problematic from a virtue perspective, but what it says about the person who tends to engage in it is worrisome, especially when so many desperately need our help.

From the proceeding discussions, we can conclude that from a business and economic points of view, business leaders' actions are justifiable, as long as no law is broken or transgressed. From a "philosophical" perspective, the *act* of conspicuous spending may not be inherently wrong. Lavish spending can have both positive and negative *consequences.* None of these consequences seem to outweigh the others that we can decide in favor of or against allowing conspicuous spending. From standpoint of *virtue ethics* conspicuous consumption is not problematic. It only reveals certain traits of the individual that are worrisome. If we cannot find something appalling about conspicuous consumption, then what is "wrong" in throwing an expensive birthday party? Are some unstated but nonetheless fundamental moral principles or rules of the marketplace broken by giving say a $7 million birthday party? In order to answer these questions, we subject our conclusions reached earlier to religious moral principles.

<u>A Religious Point of View</u>

The authors are cognizant of the fact that in the literature dealing with ethics, religious legalism is classified as deontological (rule) ethics. Exclusion of religion from philosophical points of view discussed in the previous section is arbitrary. The main purpose is to pro ide a contrasting perspective of morality of conspicuous consumption. While the purpose of this paper is not to compare and contrast moral principles espoused by various diverse religious faiths within the U.S. and throughout the world, most faiths in principle involve some universal, normative behavioral tenants that may offer a useful perspective in understanding conspicuous consumption. Religions both motivate individuals' acceptance of and justify societies' ethical demands and control systems upon their lives. One difficulty in using religion for a moral analysis is the pluralism of the world's religions. Even those which have been able to transcend particular cultures and thus deserve to be called "world" religions differ greatly in their view of the ultimate good (God) and of mankind's relationship to that "really real." Therefore, they approach ethical questions with diverse standards and varying emphasis. What is a major concern for one may be of minor importance to another. What is sanctioned by one may be denounced by another.

Social scientists, who study religions, as well as theologians within the religions, have struggled to find universal values affirmed by all religions. Anthropologist Kluckhohn observed that "No culture tolerates indiscriminate lying, stealing, or violence within the in-group…all cultures define as abnormal individuals who are permanently inaccessible to communication or who consistently fail to maintain some degree of control over their impulse life" (Kluckhohn, pp. 294-295). For this analysis, one moral principle found in negative form in Greek, Roman, Jewish, Buddhist, Confucian and Islamic literature will be used (McGray, p.145). Stated positively by Jesus, it is known among Christians as the Golden Rule. "As you wish that men would do to you, do so to them" (Luke 6:31 RSV). In Western religions (Judaism, Christianity, Islam), the Golden Rule is based on the character of the Creator God, who has chosen to reveal His purposes to humankind. Eastern religions (Hinduism, Confucianism, Buddhism) sometimes more agnostic about the nature of God, view the Golden Rule in more humanistic terms. For them, it is seen as a supreme means of finding harmony with oneself, others, indeed, with all of nature.

The Golden Rule and principles derived from it have been factors in philosophical approaches to ethics. For example, John Stuart Mill, the chief nineteenth century spokesman for utilitarian philosophy, once wrote "In the Golden Rule of Jesus of Nazareth, we read the complete spirit of the ethics of utility." Mill's central ethical doctrine, that is, the right thing to do is what produces the most good for the most people, dominated Western liberal thought throughout most of the nineteenth and early twentieth centuries. "To do as you would be done by, 'and to love your neighbor as yourself' constitutes the ideal perfection of utilitarian morality," he affirmed (McGray, p. 144).

While modern philosophers may debate both the validity of Mill's claim and also the ethical adequacy of the Golden Rule, it does provide an accessible construct for a religious critique of the super-rich affairs. The following analysis is admittedly written from a Christian perspective, but the principle may be found in the ethics of other world religions.What standards does the Golden Rule affirm for judging the morality of the lavish parties, and, in fact, all humans' actions? What guidance does it provide for determining our accountability for and to each other? First, the Golden Rule, in mandating the same treatment for other persons as oneself, upholds *justice* as a standard for judging the value of human behavior. Other persons are to be accorded what we desire for ourselves, neither more nor less. Ethical questions arise when a conflict of interest exists between two or more persons. To remove such conflicts, the principle of justice directs each individual to see in his own feelings and needs what would be good for others. It requires not sympathy but complete empathy or identification with the other. Furthermore, the individual is then commanded to act justly toward the other person to secure that same good that one wants for himself.

When this principle of justice is extended to a society, all persons are viewed as having equal rights. They are equal before whatever laws the society may have. They are due equal rewards and punishments for their actions. This application of the Golden Rule tempers the assertion that a person's value to a society should be based solely on his contribution to the society. Many are unable to make equal contributions because of differences in ability, education, handicapping conditions, or patterns of discrimination; yet they deserve to have their needs met and to be respected as human beings of equal worth and dignity. Appeals to justice have resolved conflicting claims regarding the possession and use of private property. The world's religions, by means of the Golden Rule, assert that because all persons have intrinsic value, they have a prior moral claim to material assets which others, because of greater power and ability, may consider to be their own. Because of mankind's finiteness, such possession is temporary. Consumption beyond one's needs is condemned by the Golden Rule on the grounds that it neglects the needs of others by using limited resources. The actions of people, who indulge themselves by squandering these limited resources, are to be viewed as morally degenerate. The just person and the just society see that the needs of the poor, the handicapped, the widowed, the orphaned, and even the outcast or alien, are also to be attended to. To do otherwise is to make wealth and its consumption rather than persons the ends of our actions. This judgment is clearer when the Golden Rule is seen in its negative form. When we view people as unworthy, we risk being held in the same contempt by others. We thus run the danger of becoming dehumanized also.

We, too, may be viewed as the means to some higher good for some greater power. Modern history is replete with examples of persons who, when failing to stand for justice, were later treated unjustly. Christians under the Third Reich in Germany, who refused to demand justice for Jews, later found themselves victims of the same unjust, inhumane, arbitrary treatment that the Nazis had created for the Jews. The Golden Rule, in providing a basis for justice, not only demands that each individual treat others with the same fairness that one expects for oneself but also that societies should order their laws and institutions to provide for the well-being of all its members. The Golden Rule is a means for holding people accountable so that the good of all may be provided for as a basis for a stable social order.

A second ethical principle implied in the Golden Rule is that of *mercy.* Since the actions of all persons at some time fall short of their ideals, whether that of justice or another principle of more parochial nature, we do not always want what we deserve. We desire instead to be forgiven, to be given another chance, to be treated with *mercy*. "Forgive us our debts as we have forgiven our debtors" is a well-known phrase in what Christians call the Lord's Prayer. It specifies another way that the Golden Rule may apply to our lives. In addition to the reciprocal call for equal treatment – in order to receive, we must be willing to give – the principle of mercy in some religions provides individuals opportunity to balance off their own failings in one area with acts of mercy in another area. Alms giving and acts of charity are frequently viewed as meritorious. Forgiveness in these religions is something which may be earned or demonstrated by restitution. In the Jewish book of laws, Leviticus, the offender, was to pay back his victim in full plus twenty percent more and to bring a guilt offering to the priest, then "he shall be forgiven for any of the things which one may do and thereby become guilty" (Leviticus 67 RSV).

The Golden Rule is a reminder that the mercy we desire for ourselves must be extended to others. Although mercy is primarily a means of restoring relationships between individuals, its possibility may be enhanced by public policies in society. An example is seen in the Leviticus 6 passage above. A kinder and gentler society encourages and rewards acts of mercy. A third virtue or principle advanced by the Golden Rule, and espoused by many religions, is labeled *humility*. Often misunderstood as putting oneself down, humility, rather, is viewing oneself realistically. In spite of differences of possessions, status, temporal power, or even religious achievement, treating others as we wish to be treated makes us equal before each other and the higher powers. Our ability to look up to others or look down on others is at best only temporary. We are to think of ourselves as intrinsically no better and no worse than others. Social harmony is furthered by recognizing this sooner rather than later. Humility, seeing oneself of equal status with all others, provides a reminder to the powerful not to think of themselves "more highly that they ought to think (Romans 12:3) and encourages 'the meek' to be assertive, to persist for they 'shall inherit the earth" (Matthew 5:5). The Golden Rule thus provides a check on the human tendency toward arrogant use of power, whether economic, political or even moral. Power is not inherently evil, but its use may be. Possession of power has a way of causing the possessor to feel exempt from the controls under which the less powerful must live. Charles Colson, President Nixon's legal counsel, in reflecting on his Watergate experiences, wrote "I saw how the White House transformed young political idealists into prideful supermen, myself included. The same thing can happen to the prestige-conscious businessman, the bullying shop steward, the dominating parent" (Colson, p. 38).

Humility is a reminder that in making a decision, the rights of others are more important than our ability to coerce them. We may not always have such power; and if powerless, we will still wish to be treated with respect and dignity, whether or not others may think we deserve it. The egalitarianism of the Golden Rule is expressed in the virtue of humility. In light of this social accountability role of religion as expressed the Golden Rule, how should we view the extravagant parties of the superrich? Conspicuous consumption is obvious in the aforementioned birthday parties of business leaders. The sense of justice in human hearts for fair and equal treatment sooner or later results in such outrage over such conspicuous consumption in the face of human poverty that it contributes to public support for political change and economic confiscation.

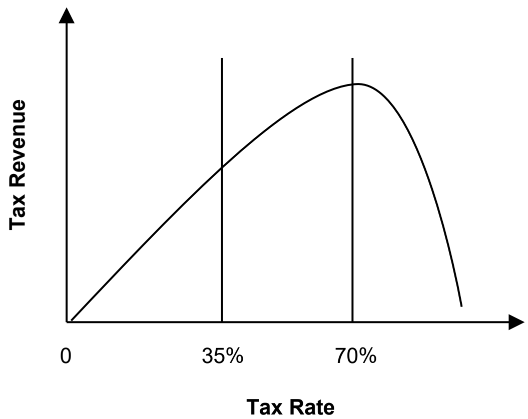
Not only are business leaders' actions called into question by their failure to use wealth to further justice, but also by their views of themselves. Even though they may argue that they are deserving – because of their wit, hard work, ability to organize others or what not - to enjoy the fruits of their labor. The standard of humility challenges this view of themselves. A just society is built on individuals who wish not only to be honored themselves but also those who are willing to accept an obligation to honor all members of the society who see others not as means for self-adulation but as ends for their own sakes.

Less obvious is the business leaders' manipulation of the tax system and the media. Guest lists consisting largely of executives of companies with whom the hosts have business interests, allow the costs of privately-held companies to be passed on to the public via the vehicle of a tax-deductible business expense. Further, leaders' media interests are furthered by the presence on the numerous reporters from around the world. The business leaders co-opt the press in a very sophisticated way. In a society based on the equality of political rights, journalism's ability to be revelatory and accurate is an important means of holding persons accountable. When people know, they may make better decisions. They, thus, can utilize the standards of justice, mercy and humility. Do leaders' hanky-panky with reporters foul the wells of journalistic accuracy for the reporters' publications? Are media organs, whose reporters attend the lavish parties at hosts' expense, less able to provide accurate accounts of leaders' actions, so that all of us in a democratic society can hold them accountable through public opinion and by means of law? The Golden Rule, as a representative ethical standard of the world's religions, raises these and other related questions about the morality of the business leaders' use of wealth, manipulation of media, as well as their compassion for the suffering and needy in society.

A PATH FORWARD

With the concept of morality and its roots in religion serving as a balancing perspective between economic and business theories to aid in understanding the notion of conspicuous spending, several additional concepts are worthy of mention. The intertwined concepts in the aforementioned discussions of the morality of conspicuous consumption are: property rights, efficiency, and equity. Property right is defined as "the exclusive authority to determine how a resource is used, whether that resource is owned by the government or by individuals" (Alchian, 2008). In the capitalistic societies, the exclusive authority for using resources (with certain restrictions) resides with the individual. It is argued that the "invisible hand" of the free market economy will produce the most desired and beneficial goods in the most *efficient* manner possible at the lowest prices possible. The main weakness of the invisible hand concept is that it ignores negative externalities, asymmetric information of consumers about products, and more relevant to our paper, individuals' willingness to pay more for one good rather than another for a desire to conspicuous consumption. Finally, unrestrained markets usually lead to inequality in the society. Under socialism, government agents exercise control over resources. This model may achieve the goal of equity. However, it is proved that governments in general are not good businessmen, i.e., government run enterprises are usually inefficient. There is plethora of competing arguments for ameliorating the two extreme forms of private property ownership. In order to limit the scope of discussion, we will only consider the economic as well as religious aspects of taxation. One solution for reducing inequality is the progressive taxation. A tax is called progressive when the government takes from high-income people a larger fraction of their income than it takes from low-income people. The effect of progressive taxation on capital income is not very clear. Tax payers in higher tax brackets may invest in less productive activities, such as growing trees, tax exempt municipal bonds, and so on. The most talked about disincentive effects of high marginal tax rates is a movement called the *supply-side school*. The famous Laffer curve in Figure 1 shows that as the tax rates rise from zero, total revenues rise and then at some point they decline. Of course, not all economists unanimously endorse the concept behind the Laffer curve.

Figure 1: Laffer Curve



An asymmetric Laffer curve with a maximum revenue point at around a 70% tax rate, as estimated by Trabandt and Uhlig (2009).

Similar to secular societies, almost all theocracies have recommendations for reducing inequality among their followers. For example, *Khums* and *Zakat* are both among the obligatory principles of Islam that are considered solutions for reducing inequality and financial problems in the Islamic societies. Khums obligates a Muslim to pay one-fifth of what has remained from his income after subtracting his own expenses to needy individuals. Zakat is another type of compulsory tax on nine things: camels, cows, goats; wheat, barley, dates, raisins; gold, and silver coins. While rooted in the objective of distribution of wealth to those in need, there is no conclusive evidence supporting the effectiveness of these taxes in reducing inequality and financial problems in Islamic societies. Perhaps the Nordic Model practiced in countries such as Sweden, Norway, Denmark, and

Finland is a path forward, as a benchmark, for a satisfactory, if not and ideal combination of efficiency, private property and equality. Studies indicate that the Nordics succeed better than other countries in combining economic efficiency and growth with a fair distribution of income and social cohesion. The model is also described as a source of inspiration for other countries in their search for a better social and economic system (Anderson, et al., 2007).

CONCLUDING COMMENTS

Ethics in business is an inexact art. Amidst the current pluralism of values and perspectives, a dialogue among participating interests is helpful if not essential. In this paper, the authors examined conspicuous consumption as exemplified in the lavish birthday parties of business leaders. Their comments apply to the person making a conspicuous spending decision as an individual, a corporation or a civil public. The more objective disciples of economics and business management supply necessary information about some of the circumstances and likely consequences of possible actions. Philosophy can assist by clarifying concepts and adding analytical precision to the process. Religion reminds that transcendent values are present in the situation and within the persons engaged in making the decision or in evaluating it. Human actions are, in the final analysis, moral whether at the level of public policy or corporate or personal behavior. They are ultimately decisions that persons singly or corporately make as they take the risk of responsibility for their actions. In this instance, an act of conspicuous spending was seen to be not necessarily wrong in itself. It is likely consequences economically and politically are mixed.

In the context of society with many needy persons trying to obtain even the necessities for life, lavish, conspicuous spending is at best questionable. The values of justice, mercy and humility, whether they are held to be human or transcendent, further question its morality. When persons make economic decisions to engage in conspicuous spending, traits of character are revealed which may be worrisome to others. Accountability may be demanded sooner or later at the bars of public opinion or political process. In discussing the concept of conspicuous consumption behavior, this paper has focused primarily on the behavior of business managers acting as individuals. An interesting issue for further consideration would be an extended discussion of corporate executives' behavioral spending excesses acting as organizational agents of their respective firms. Such a needed discussion would extend the debate beyond opinions and perceptions of the general public as a social/ethics concern and involve the perspectives of corporate stakeholders including employees, shareholders, and others within the financial and public policy communities.

REFERENCES

ABC News (2017). "Scandalous $10 Million Bat Mitzvah" Retrieved on May 2018 from ABC News web site: https://abcnews.go.com/GMA/story?id=3784213&page=1.

Alchian, A. A. (2008). "Property Rights, The Concise Encyclopedia of Economics," Retrieved on May 2018 from the Library of Economics and Liberty web site: The Research Institute of the Finnish Economy (ETLA) http://www.econlib.org/library/Enc/PropertyRights.html.

Alter, J. (1989). "Forbes Publicity Machine", *Newsweek* (August 28), P. 50, Retrieved on May 2018 from Newsweek web site: https://advance.lexis.com/api/permalink/92b16d80-0cfa-4b2c-b4f2-46c18bd3aa65/?context=151683.

Anderson, et al., (2007). "*Nordic Model, Embracing globalization and sharing risks*, The Research Institute of the Finnish Economy (ETLA)," Retrieved on May 2018, from: The Research Institute of the Finnish Economy (ETLA) web site: https://economics.mit.edu/files/5726.

Brooks, J. (1981). "Showing Off in America: from conspicuous consumption to parody display," Little, Brown and Company, Boston.

Chaudhuri, H. and Majumdar, S. (2006). "Of diamonds and desires: Understanding conspicuous consumption from a contemporary marketing perspective," *Academy of Marketing Science Review*,10 (8), 1-18.

Codere, H. (1950). "Fighting with property," J.J. Augustin Publisher, New York.

Committee on Definitions (1960). Marketing Definitions, a Glossary of Marketing Terms (American Marketing Association, Chicago). (J.J. Augustin Publisher, New York, NY).

Colson, C. (1985). "Who Speaks For God?" (Crossway Books, Westchester, IL), 198.

Duesenberry, J. S. (1967). "Income, Savings, and the Theory of Consumer Behavior," *New* York: Oxford University Press.

Galbraith, J. K. (1984). "The Affluent Society," Boston: Houghton Mifflin Company.

Horowitz, D. (1985). "The Morality of Spending," Baltimore: The Johns Hopkins University Press.

Jennings, R. (2016). "*Conspicuous Consumption Emerges in Vietnam as Middle Class Grows,*" Retrieved on May 2018 from VOA web site: https://www.voanews.com/a/conspicuous-consumption-emerges-in-vietnam-as-middle-class-grows/3492225.html.

Konrad, A. (2011). "*Billionaire parties are still raging,"* Retrieved on May 2018 from CNN web site: http://money.cnn.com/galleries/2011/fortune/1108/gallery.billionaire_birthday_parties.fortune/index.html.

Kastanakis, N.M. and Balabanis G. (2014). "Explaining variation in conspicuous luxury consumption: An individual differences' perspective," *Journal of Business Research*, 67, 2147-2154.

Kermani, M. (2017). "Exploring conspicuous luxury consumption in Iran: The role of individual factors and consumer knowledge," A dissertation submitted to the University of Ottawa, Retrieved on May 2018 from: https://ruor.uottawa.ca/bitstream/10393/36085/1/Kermani_Mohammad_2017_thesis.pdf

Kluckhohn, R. (1962). "Culture and Behavior: Collected Essays of Clyde Kluckhohn," Free Press of Gencoe, New York, 294-295.

Mason, R. S. (1981). "Conspicuous Consumption*:* A Study of Exceptional Consumer Behavior," New York: St. Martin's Press.

McGray, J. W. (1989). "The Golden Rule and Paternalism," *Journal of Interdisciplinary Studies* 1(2) 145-161.

NBC (2014). "Rich Kids' Draws Attention to Conspicuous Consumption in Iran" Retrieved on May 2018 from NBC web site: https://www.nbcnews.com/news/world/rich-kids-draws-attention-conspicuous-consumption-iran-n224616.

Page, C. (1992). "A History of Conspicuous Consumption," In: Rudmin, F. and Richins, M., eds. Workshop on Materialism and Other Consumption Orientations Conference Proceedings. UT: Association of Consumer Research, 82-87.

Poggi, J. (2013). "TV ad Prices: Football Is Still King," Adage, Retrieved October 2013 from: http://adage.com/article/media/tv-ad-prices-football-king/244832/

Russell, R. (2018). "New tax law creates confusion about entertainment deductions," *Financial planning* Retrieved on May 2018 from: *https://www.financial-planning.com/news/new-tax-law-creates-confusion-about-entertainment-deductions*

Samuelson, P. A. & Nordhaus. W. D. (1989). "Microeconomics" McGraw Hill, New York, p. 506.

Shaw, G. B. (1894). "Socialism: The Fabian Essays," Charles E. Brown & CO., Boston, MA. 19.

Sorkin, A. R. (2017). "A Billionaire's Party Is a Lens on Wealth in the Trump Era," *The New York Times* (February13) Retrieved on May 2018 from The New York Times web site: https://www.nytimes.com/2017/02/13/business/dealbook/stephen-schwarzman-palm-beach-party-trump.html.

Souiden, N., B. M'Saad, and F. Pons (2011). "A Cross-Cultural Analysis of Consumers' conspicuous Consumption of Branded Fashion Accessories," *Journal of International Consumer Marketing*, 23, 329-343.

Spiegel, H. (1991). "The Growth of Economic Thought," 3rd ed. (Duke University Press), 162.

Stigler, G. (1942). "The Theory of Competitive Price," New York: The Macmillan Company.
Trabandt, M. and H. Uflig (2009). "Working Paper No. 15343, National Bureau of Economic Research," September.

Veblen, T. (2000). "The Theory of the Leisure Class: An Economic Study of Institutions," Adamant Media Corporation, Chestnut Hill, MA.

BIOGRAPHY

Shaheen Borna is Professor of Marketing at Ball State University, USA. He earned his doctoral degree in business administration from Florida State University. His research interests include business ethics, retail location, promotion, and new product management. His teaching interests include marketing management, consumer behavior, business ethics, international marketing, and retailing. He has published numerous articles in The Journal of Business Ethics, Journal of Services Marketing, Journal of Young Consumers, Journal of Global Business, International Journal of Advertising, Higher Education Management, International Journal of Public Policy , International Journal of Management and Marketing Research, The Journal of Health Care Marketing, British Journal of Criminology, Journal of Accountancy, Journal of Health and Social Policy, Journal of Teaching Business Ethics, and Higher Education Management among others.

Russell Wahlers is Chair and Associate Professor of Marketing in the Department of Marketing at Ball State University. His research interests include consumer choice models, marketing communication, and marketing education. Teaching interests include marketing research, marketing simulation, and promotion. Professor Wahlers' articles have appeared in Marketing Education Review, Journal of Marketing Theory and Practice, Advances in Consumer Research, Review of Business, Journal of Marketing Communications, Journal of Promotion Management, International Journal of Information and Operations Management Education, Academic Exchange Quarterly, Journal of Leisure Research, and Journal of Travel Research.