Superiority-Seeking and the Preference for Exclusion

Author:Alex Imas, Kristóf Madarász

Date:2022-08-01

Keyword:NA

Url:[click here](https://www.nber.org/papers/w30334)

Attachment:[click here](https://www.nber.org/system/files/working_papers/w30334/w30334.pdf)

From:NEBR-working\_paper

We propose that a person’s desire to consume an object or possess an attribute increases in how much others want but cannot have it. We term this motive superiority-seeking, and show that it generates preferences for exclusion that help explain a host of market anomalies and make novel predictions in a variety of domains. In bilateral exchange, there is a reluctance to trade and people exhibit a ‘social endowment effect.’ People’s value of consuming a good increases in its scarcity, which generates a motive for firms and organizations to cater to such preferences by engaging in exclusionary policies. Randomly barring potential consumers from the opportunity to acquire a product increases the seller’s profits both in standard monopoly and auction settings. Such non-price-based exclusion leads to higher revenues than the classic optimal sales mechanisms. A series of experiments provides direct support for these predictions. In basic exchange, a person’s willingness to pay for a good increases as more people are explicitly barred from the opportunity to acquire it. In auctions, randomly excluding people from the opportunity to bid substantially increases bids amongst those who retain this option. Exclusion leads to bigger gains in expected revenue than increasing competition through inclusion. Our model of superiority-seeking generates ‘Veblen effects,’ rationalizes attitudes against redistribution, and provides a novel motive for social stratification and discrimination.