

Social Status Pursuit and Inequality

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Abstract

The quest for social status modifies lifetime decisions and as a consequence, the trajectory of the overall economy. Focusing on the wealth aspect of status, we build a simple overlapping generations model to investigate the effect of status quest on wealth inequality and economic growth. In the long-run, the bequest and the social status motive not only increase the stationary level of capital but also reduce household inequality. The paper closes considering a segregated economy made of two groups, which notably differ in their status referent. When the only transmissible factor is wealth, then group inequality disappears with time even in a growing economy, as long as the poorer group builds its social referent including the richer group.