

# Consumption Taxation, Social Status and Indeterminacy in Models of Endogenous Growth with Elastic Labor Supply\* (Preliminary Version)

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## Abstract

This paper examines the effects of consumption taxation on long-run growth in an infinity lived representative agent model of endogenous growth in which the desire for social status induces private agents to care about other's wealth or consumption levels. We also allow for non-separable preferences in own consumption, labor supply and social status which may cause indeterminacy of equilibrium. This analysis shows that consumption taxation generally rises (reduces) a long-run growth rate when the balanced growth path is indeterminate (determinate) in the models of wealth-induced social status and consumption externalities.

**Keywords:** Social Status, Endogenous Growth, Consumption Externality, Indeterminacy, Consumption Taxation and Endogenous Labor Supply

**JEL classifications:** D62, D90, E62, O40, P10.

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