

Wealth Distribution Dynamics with Status Preference

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Abstract

This paper explores the implication of status-seeking behavior in wealth for economic dynamics. I take a step away from a conventional setup of status preference. That is, individuals with higher wealth behave differently to those with lower wealth. In particular, I investigate an implication of a kink in status utility, which is empirically suggested. The main results are as follows: the stability of an equal steady state in an economy is determined by the “direction” of a kink; depending on parameter values, whether inequality may diminish or persist is determined. Also, a steady state in which a portion of agents holds all of the world asset is excluded.

Keywords: Status-seeking, Relative wealth, Wealth Inequality

JEL Classification: D91, D31

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