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Social Status, Inequality, and Redistribution

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ABSTRACT

We explore implications of social status concerns for redistribution, income inequality, and growth in a political economy framework. Salience of such concerns leads to a propagation mechanism, whereby initial income inequality and reduced willingness to redistribute income reinforce each other, potentially giving rise to multiple steady states. An extension illustrates the possibility of a high redistribution cum low inequality steady state resulting in a higher steady-state income level. Some of the model features are shown to be consistent with empirical regularities as reflected in survey data on social status attitudes.

JEL Classification: D72, O4, Z1

"All men naturally strive for Honor, and Preferment, but chiefly they who are least troubled with caring for necessary things." (Thomas Hobbes, De Cive, 1641)

1 | Introduction

While the importance of status for social interactions has been recognized since Weber (1922 [1968]), its implications for economic development, have been only recently revisited in evolving research. Broadly, people care about social status because it represents public acknowledgment of their social worth and, clearly, social status markers should, almost by design, shape behavioral incentives (cf. "People care about status quite as intensely as they do about money and power. Indeed, people often want money as much for the status it brings as for its exchange value" (Ridgeway 2014)). Whereas status can be induced by what is known as ascribed characteristics—immutable features, such as gender, race, or ethnicity—modern societies mostly tend to rely on *achieved status*, derived from actions or effort, such as

education or income. Indeed, "...concern for social status is perhaps more conspicuous in those societies, like the American, where the ruling ideology encourages a striving for upward social mobility, for movement to higher social status positions." (Harsanyi 1980).

In this paper, taking the above as a fundamental assumption, we explore its implications for income redistribution, inequality, and economic growth. In our model, households operate in a successive generations' economy and allocate income between consumption and capital investment, which then undergoes progressive redistribution. In so doing, they care, beyond children's income, also about their income-derived status. This is determined by relative income standing and, crucially, its salience increases with the dispersion of parental income. The presented simple framework enables us to analytically track down the intertemporal income evolution and explore the political economy determination of redistributive tax rates in each generation and in the steady state.

In the baseline model, redistributive taxes reduce inequality, while also hampering the accumulation of capital in the aggregate. A voter's stand on preferred tax rate depends on two

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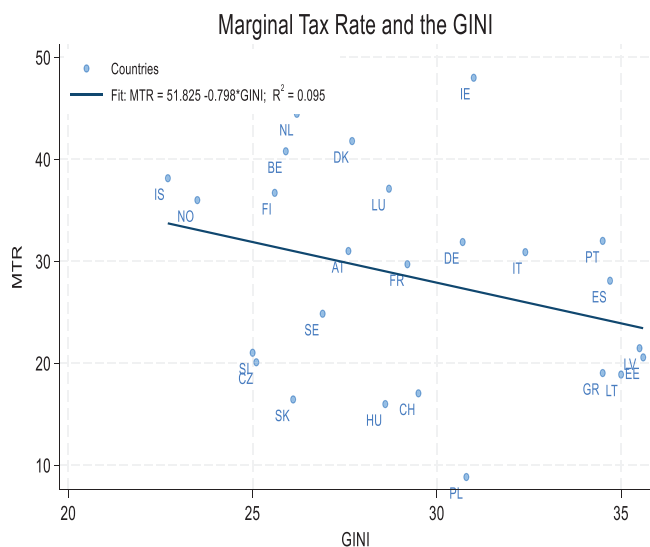


FIGURE 1 | Inequality and redistribution. *Note:* This figure illustrates the empirical relationship between top marginal income tax rates (OECD database) and the Gini coefficient (World Bank data) for 2014 and for a pool of European countries. The coefficient's p -value is 0.042.

factors. One is the standard Meltzer–Richard's effect according to which the poorer a household the larger the preferred tax, which redistributed in her favor. This effect implies that an increase in income inequality, making a poor household ever poorer, acts to increase the equilibrium tax rate. The second, novel factor implies that income inequality, enhancing the salience of income-derived social status, reduces the preferred level of redistribution. This captures the idea that, when inequality increases, households increase their support for the salience of next-generation's income differences as determinants of social status, which decreases with redistributive taxation. The trade-off between these two opposing forces ultimately determines the equilibrium tax rate, and, in particular, when the utility weight of social status is high, it is possible that the second factor dominates. This then creates a propagation mechanism, whereby lower taxes increase inequality, which then leads to further political support for lower taxes. Consequently, multiple steady states may materialize, with higher taxes/lower inequality and lower taxes/high inequality levels. The realization of these steady states hinges upon initial conditions, and, in particular, on initial levels of income inequality.

To substantiate, consider Figure 1 which depicts the cross-country relationship among countries in our data, from the OECD and World Bank data sets, between top marginal personal income tax rates, a proxy for the level of redistribution, and a measure of income inequality, for 2014. As is evident, the relationship is (mildly) negative, indicating that inequality and the intensity of redistribution are, if at all, inversely related, suggesting that, counter to the standard Meltzer–Richard-inspired insight, high inequality is not related to a larger extent of redistribution, in turn indicating that additional factors might be at play. This empirical regularity, though not constant across years,¹ begs an explanation and one is offered below.

As our explanation hinges on the social status motive, we provide empirical evidence showing that this motive is relevant and

that it is, indeed, correlated with a reduced demand for income redistribution. This is done using waves of the European Social Survey (ESS), which elicits individual-level responses gauging the importance of economic social status dimensions as well as redistribution preferences. Our analysis is conducted at the individual level, as well as at the country aggregate level whereby average status-seeking responses are correlated with prevailing top marginal personal income tax rates, our proxy for the intensity of income redistributions. In both cases, we find that status preferences are associated with reduced support of redistribution, consistent with a central feature of the presented model.

1.1 | Related Literature

Beginning with Weber (1918/1968), a large amount of work in social sciences on the importance of social status has developed. Economic writings include Veblen (1899) [1953] and Duesenberry (1949), and more recent Corneo (2002), Corneo and Jeanne (2010), Fershtman and Weiss (1993), and Fershtman et al. (1996). Alesina et al. (2018) and Kim et al. (2024) show empirically that, beyond caring about their own income status, parents also care about their children's standing; specifically, the former shows that the lower the anticipated children's income rank in the distribution, the higher the parental preferred tax rate.² An essential feature of our model that emphasizes the salience of social status is built on Gallice and Grillo (2020), who, in turn, credit Bordalo et al. (2013), that develops the concept of salience as being of relevance for consumer choices. In particular, as in Gallice and Grillo (2020), we assume that the salience of income-derived social status depends on its variance; unlike there, we are interested in its macroeconomic implications. Zero sum thinking, the perception that one's success comes at the expense of others, see Chinoy et al. (2026), is related as well. While the effect of the social status motive on individual behavior has been explored in the cited literature, our focus on its aggregate implications is a novel feature of this paper. Moreover, our emphasis on the intertemporal propagation mechanism that potentially induces multiple steady states in the context of status concerns is very different from the related paper (Gallice and Grillo 2020), which explores static voting over redistribution when the voters are distinguished by two dimensions. Furthermore, the specific intertemporal relationship between inequality and redistribution—an important part of our analysis that also carries empirical implications—is absent in that contribution. Potential existence of multiple steady states indicated in the paper's analysis is yet another important novel feature. It, in particular, implies that initial income redistribution may have significant long-run implications, both on income distribution and on productivity and growth. Another related contribution is Corneo and Grüner (2000), which also incorporates status concerns, albeit in a different way from this paper. Corneo and Grüner (2000), in particular, show that the median voter, out of status concerns, may prefer reduced redistribution, especially when inequality is high, so as not to lose out in terms of status ranking. While related, the mechanism is different from that in this paper, where what matters for the central result is status salience, which is reduced for all once taxes are high.³

Also relevant is work in sociology and social psychology. Festinger (1954) is a seminal contribution to the literature on social

comparison; Fiske (2011) applies the derived insights specifically to the concept of social status; Ridgeway (2014) links social status to inequality; Wilkinson and Pickett (2010) present much empirical evidence linking inequality, social status, and various outcomes. The above work talks about social status as a society's marker in general terms. Markovits (2019) and Sandel (2021) are examples of recent work on the dark side of the emphasis on children's achievements as a marker of their social status, claiming that this may exacerbate inequality and reduce welfare.

Benabou (2000) and Meltzer and Richard (1981) are classical papers on the political economy of redistribution on which we build.⁴ Bandyopadhyay et al. (2025) is a recent contribution that relates inequality, redistribution, and economic growth to social cohesion and knowledge diffusion. While we share with that paper an interest in the former set of issues, our perspective is very different. In some sense even more related is Gallice and Grillo (2020), which incorporates social status concerns in a two-dimensional model of redistribution. Relative to that paper, ours is a simpler, unidimensional setup, which, however, contributes by exhibiting analytically tractable intertemporal evolution of the economy. This setup enables us to address macroeconomic implications of status seeking, from which Gallice and Grillo (2020) abstracts. Also relevant is Corneo (2002), where it is argued that, in the status-seeking context, progressive redistribution can be universally advantageous. This argument is pertinent to the extension section where it is shown that progressive redistribution can result in higher productivity and average income level.

The rest of the paper proceeds as follows. The next section introduces the baseline framework, whose analysis is presented in Section 3. Section 4 extends by endogenizing the evolution of productivity in the economy, to show that higher tax rates may be associated with larger steady-state output. Section 5 is devoted to the empirical analysis of some of the framework's features, and Section 6 concludes with brief remarks.

2 | Model Economy

Consider an economy that operates over discrete time periods, t , and is populated in each period by a unit measure of households indexed i that consist of a parent and a child. In each period, a household is characterized by a disposable income level y_{it} . In each period, this income is allocated by the parents between family consumption c_{it} and human capital investment, $k_{i,t+1}$, subject to the budget constraint:

$$y_{it} = c_{it} + k_{i,t+1}. \quad (1)$$

Investment results in $k_{i,t+1}^\alpha$, $0 < \alpha < 1$, units of human capital, which is then used, along with an idiosyncratic shock, a_{it} , to generate income.

We stipulate that redistribution is captured by a tax rate T_{t+1} , $0 \leq T_{t+1} \leq 1$, on bequeathed human capital investment, with its higher values corresponding to a larger degree of progressivity.

We define next-period net capital endowment as:

$$\kappa_{i,t+1} = \frac{k_{i,t+1}^{\alpha(1-T_{t+1})}}{\int k_{j,t+1}^\alpha dj} \int k_{j,t+1}^\alpha dj. \quad (2)$$

Such stipulation of redistribution has become common since the seminal paper (Benabou 2000); see Heathcote et al. (2017) for a more recent application and arguments for employing such specification.

Disposable income then is

$$y_{i,t+1} = A_{t+1} a_{i,t+1} \kappa_{i,t+1}. \quad (3)$$

We further assume that the initial distribution of income is lognormal with the parameters (μ_0, σ_0^2) , and that the distribution of shocks in each period is lognormal with the parameters $(0, \varphi^2)$. Initial income distribution and ability are assumed independent, implying that the two will be independent in future periods as well. Future income distribution parameters, (μ_t, σ_t^2) , will be endogenously determined. We will also assume at present for expositional simplicity $A_t = 1$; an extension below endogenizes its evolution.

Income, in addition to its intrinsic value, is also assumed to be valued because of social status it induces. Specifically, we define the social status function to be as follows:

$$ss_{i,t+1} = \gamma_{t+1} \frac{y_{i,t+1}}{\int y_{j,t+1} dj}, \quad (4)$$

where

$$\gamma_{t+1} = F(\text{Var}\{\log(y_{j,t+1})\}), \quad F' > 0. \quad (5)$$

Thus, a person's social status is derived from own income relative to the average income in the cohort. Its other component, γ_{t+1} —an increasing function of (logarithm of) income dispersion—implies that social status also depends on salience of the status motive, which is assumed to increase with income differences. In a broad sense, this is consistent with the individual choice model of Koszegi and Szeidl (2013), where salience is stipulated to increase in variability of choice options. More closely related is Gallice and Grillo's (2020) model of income redistribution where salience is specifically assumed to increase with inequality.⁵ The specification in (5) is also consistent with Hobbes' citation in the epigraph to suggest that richer individuals value social status salience more than poor ones.

Parents are assumed to derive utilities from family consumption, children's expected net incomes, and their social status. We then write:

$$\begin{aligned} U_{it}(c_{it}, y_{i,t+1}, ss_{i,t+1}) &= \log(c_{it}) + \log(y_{i,t+1}) + \delta \log(ss_{i,t+1}) \\ &= \log(c_{it}) + \log(a_{i,t+1} k_{i,t+1}^\alpha) + \delta \log\left(\gamma_{t+1} \frac{y_{i,t+1}}{\int y_{j,t+1} dj}\right), \end{aligned} \quad (6)$$

where $\delta > 0$ is the utility weight of the social status component.⁶ This latter component is a novel feature of the model that induces analytical results that differ from the standard one.

In each period, all decisions, both collective and individual ones, are made by the parents. In particular, they set in each period through majority voting the redistributive tax rate T_{t+1} applied to capital investment, upon which they individually allocate budgets and, in particular, determine $k_{i,t+1}$.⁷ A period equilibrium is defined as a majority voting equilibrium level of the tax rate T_{t+1} and households' budget allocations. We will be interested in time-consistent sequences, both within and across periods, whose analysis proceeds, in each period, backward.

Before proceeding, we pause to discuss some of our modeling choices. One is the assumption on the nature of redistribution.⁸ In particular, one could question whether redistribution of capital or, as is more common, income, is more plausible. The two alternative assumptions yield qualitatively equivalent results, as is shown in the Appendix. Another issue concerns income-derived social status of the children. An alternative could be their net human capital. With some simple modeling adjustments also discussed in the Appendix this would also generate qualitatively similar results to those obtained. Hence, we feel reassured with our somewhat more tractable assumptions.

3 | Analysis

3.1 | Baseline Model

Analysis of each period's decision making proceeds backward. First, for a given tax rate we determine the equilibrium private decisions; then, in anticipation of these, the equilibrium tax rate is determined.

Given a tax rate, the equilibrium first-order conditions are

$$\frac{1}{y_{it} - k_{i,t+1}} + \frac{(\alpha + \delta\alpha)(1 - T_{t+1})}{k_{i,t+1}} = 0.$$

So that

$$c_{it} = C_1 y_{it}, \quad k_{i,t+1} = C_2 y_{it}, \quad (7)$$

$$\text{where } C_1 = \frac{1}{1 + (\alpha + \delta\alpha)(1 - T_{t+1})}, \quad C_2 = \frac{(\alpha + \delta\alpha)(1 - T_{t+1})}{1 + (\alpha + \delta\alpha)(1 - T_{t+1})}.$$

And, therefore,

$$y_{i,t+1} = a_{i,t+1} \frac{(y_{it}^\alpha)^{(1-T_{t+1})}}{\int (y_{jt}^\alpha)^{(1-T_{t+1})} dj} (C_2)^\alpha \int (y_{jt}^\alpha) dj. \quad (8)$$

Or, taking logarithms,

$$\begin{aligned} \log(y_{i,t+1}) &= \log(a_{i,t+1}) + (1 - T_{t+1}) \log(y_{it}^\alpha) \\ &\quad - \log \left[\int (y_{jt}^\alpha)^{(1-T_{t+1})} dj \right] + \log(C_2)^\alpha + \log \int (y_{jt}^\alpha) dj, \end{aligned} \quad (9)$$

which, given our assumptions, is normally distributed with the following parameters:

$$\mu_{t+1} = \alpha(1 - T_{t+1})\mu_t + \log(C_2)^\alpha - \left[\alpha(1 - T_{t+1})\mu_t + \frac{\alpha^2(1 - T_{t+1})^2\sigma_t^2}{2} \right]$$

$$+ \alpha\mu_t + \frac{\phi^2\alpha^2\sigma_t^2}{2} = \log(C_2)^\alpha - \frac{\alpha^2(1 - T_{t+1})^2\sigma_t^2}{2} + \alpha\mu_t + \frac{\alpha^2\sigma_t^2}{2}, \quad (10a)$$

$$\text{Var} \{ \log(y_{j,t+1}) \} = \sigma_{t+1}^2 = \phi^2 + (1 - T_{t+1})^2 \alpha^2 \sigma_t^2. \quad (10b)$$

Hence, the logarithm of the next-period average income is

$$\log(Y_{t+1}) = \mu_{t+1} + \frac{\sigma_{t+1}^2}{2} = \log(C_2)^\alpha + \alpha\mu_t + \frac{\alpha^2\sigma_t^2 + \phi^2}{2}, \quad (10c)$$

which decreases with the tax rate because C_2 does.

We then have

$$\gamma_{t+1} = F(\text{Var} \{ \log(y_{j,t+1}) \}) = F(\sigma_{t+1}^2) = F(\phi^2 + (1 - T_{t+1})^2 \alpha^2 \sigma_t^2)$$

and

$$ss_{i,t+1} = F \left(\left[\phi^2 + (1 - T_{t+1})^2 \alpha^2 \sigma_t^2 \right] \right) \frac{a_{i,t+1}(y_{it}^\alpha)^{(1-T_{t+1})}}{\int a_{j,t+1}(y_{jt}^\alpha)^{(1-T_{t+1})} dj}. \quad (11)$$

It is particularly noteworthy that current income inequality and low redistributive taxes complement each other in their effect on status salience, so that the larger the former, the larger is the effect of low taxes on salience. The intergenerational correlation in incomes⁹ decreases with the tax rate, implying that social mobility is higher the larger the redistribution.

Summing up,

Proposition 1. *Higher taxes lead to a higher level of social mobility and lower next-period inequality, while also reducing next-period average income.*

In particular, the Gatsby curve relationship between inequality and intergenerational mobility holds here. A higher level of redistribution suppresses the differences in the next generation that emanate from parental investment and amplifies the relative importance of idiosyncratic shocks to children's fortunes.

We next proceed to the determination of the equilibrium choice of the redistributive tax rate, made in anticipation of the above individual decisions. The utility levels are given as follows:

$$\begin{aligned} U_{it} &= \log(c_{it}) + \log(y_{i,t+1}) + \delta \log(ss_{i,t+1}) \\ &= \log(C_1 y_{it}) + \log(a_{i,t+1}) + (1 - T_{t+1}) \log(y_{it}^\alpha) \\ &\quad - \log \left[\int (y_{jt}^\alpha)^{(1-T_{t+1})} dj \right] + \log(C_2 y_{it})^\alpha + \log \int (y_{jt}^\alpha) dj \\ &\quad + \delta \log \left\{ F \left(\left[\phi^2 + (1 - T_{t+1})^2 \alpha^2 \sigma_t^2 \right] \right) \frac{a_{i,t+1}(y_{it}^\alpha)^{(1-T_{t+1})}}{\int a_{j,t+1}(y_{jt}^\alpha)^{(1-T_{t+1})} dj} \right\}. \end{aligned} \quad (12)$$

Since the shocks and incomes are assumed independent initially, so will be the case throughout, which implies, given our lognor-

mality assumptions that log of the shocks and of incomes are separable in the above expressions.

With these assumptions, therefore, taking the derivative of individual utilities with respect to the tax rate, we obtain

$$\begin{aligned} \frac{dU_{it}}{dT_{t+1}} = & -\alpha(1+\delta)\log(y_{it}) + \alpha(1+\delta)\mu_i \\ & + (1+\delta)(1-T_{t+1})\alpha^2\sigma_i^2 + \frac{\partial C_1/\partial T_{t+1}}{C_1} + \frac{\alpha\partial C_2/\partial T_{t+1}}{C_2} \\ & - \frac{F'(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)2\delta(1-T_{t+1})\alpha^2\sigma_i^2}{F(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)}, \end{aligned} \quad (13)$$

where $\frac{\partial C_1}{\partial T_{t+1}} > 0$, $\frac{\partial C_2}{\partial T_{t+1}} < 0$ and the last term corresponds to the salience factor. Because $\log(y_{it}) = \mu_i + \xi(i)\sigma_i^2$, we can write the first-order conditions describing the preferred tax rate by a household as follows:

$$\begin{aligned} \frac{dU_{it}}{dT_{t+1}} = & -\alpha(1+\delta)\xi(i)\sigma_i^2 + (1+\delta)(1-T_{t+1})\alpha^2\sigma_i^2 \\ & + \frac{\partial C_1/\partial T_{t+1}}{C_1} + \frac{\alpha\partial C_2/\partial T_{t+1}}{C_2} \\ & - \frac{F'(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)2\delta(1-T_{t+1})\alpha^2\sigma_i^2}{F(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)} = 0, \end{aligned} \quad (14)$$

where $\xi(i)$ is an increasing function of household's income; for example, $\xi(i) = 0$ for the median income household, and $\xi(i) = 0.5$ when the tax rate is set with the view of maximizing aggregate welfare.

Since from (13), $\frac{\partial^2 U_{it}}{\partial T_{t+1} \partial y_{it}} = \frac{\alpha(1+\delta)}{y_{it}} > 0$, the Spence-Mirrlees condition holds, implying single-crossing of preferences.¹⁰ But this then implies that the median income voter (in this case, with $\xi(i) = 0$) is decisive (see Gans and Smart 1996). This, in turn, implies that the equilibrium tax rate is given by

$$\begin{aligned} (1+\delta)(1-T_{t+1})\alpha^2\sigma_i^2 + \frac{\partial C_1/\partial T_{t+1}}{C_1} + \frac{\alpha\partial C_2/\partial T_{t+1}}{C_2} \\ - \frac{F'(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)2\delta(1-T_{t+1})\alpha^2\sigma_i^2}{F(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)} = 0. \end{aligned} \quad (15)$$

Totally differentiating this expression, we obtain

$$\begin{aligned} \text{Sign} \left(\frac{dT_{t+1}}{d\sigma_i^2} \right) \\ = \text{Sign} \left\{ (1+\delta) - \frac{F'(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)2\delta(1-T_{t+1})\alpha^2\sigma_i^2}{F(\varphi^2 + (1-T_{t+1})^2\alpha^2\sigma_i^2)} \right\}. \end{aligned} \quad (16)$$

The first term in the above expression is positive and reflects the increased willingness to redistribute by the poor median voter as income distribution becomes more skewed; this is the standard Meltzer–Richard motive. The second term, however, is negative,

reflecting the willingness to increase the spread of the social status weights in the next generation by reducing redistribution as parental income dispersion increases.¹¹

We then have:

Proposition 2. *The effect on the equilibrium tax rate of income inequality consists of two opposite factors. One is the standard Meltzer–Richard effect that implies a positive relationship; another is the novel salience factor, which is negative. In particular, when the latter dominates, inequality leads to a lower tax rate.*

The novel factor implies that, as inequality increases, the households are interested in reducing the tax rate in order to amplify salience; in contrast, when inequality gets smaller, a higher tax rate is preferred so as to reduce salience. The ambiguous relationship between inequality and redistribution stemming from the status effect is consistent with empirical findings such as in, for example, Blanchet et al. (2022), that fail to document an unambiguous reduced redistribution in more unequal countries. The intuition behind the above novel propagation result is as follows. As a lower tax rate increases inequality (the variance of log incomes), status salience is increased as well. Because of multiplicative shock and lognormality, this effect is linear and positive in parental income variance, and as a result, the median voter is motivated to select a lower tax rate.¹²

The steady state is defined as income distribution parameters μ and σ^2 and the tax rate T , constant over time, and its analysis presented in the Appendix leads to:

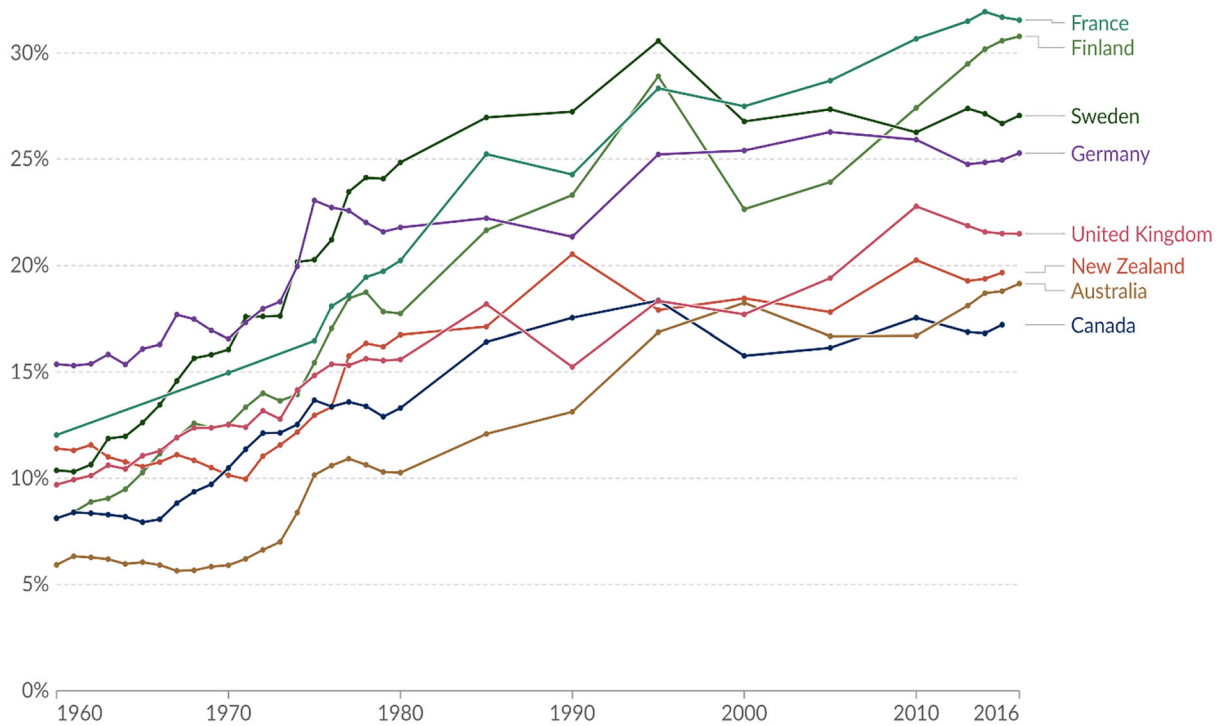
Proposition 3. *In the absence of the salience factor, the economy converges to a unique steady state of the tax rate and income inequality. In its presence, there is a possibility of multiple steady states, with high taxes and low inequality; and low taxes and high inequality.*

The convergence to a unique steady state in the absence of the salience factor is a standard result based on Meltzer–Richard's stipulation: a higher level of inequality increases demand for redistribution, and the resulting higher tax rate reduced subsequent inequality. The salience factor induces a propagation mechanism between inequality and redistribution, potentially leading to multiple steady states. Persistence of income redistribution indicated in the above result is consistent with Figure 2, from Our World in Data, that exhibits the share of public social spending for four countries in continental Europe versus the United Kingdom and its offshoots in the post-WWII period.¹³ Interpreting public social spending as a proxy for income redistribution, the former group is seen to consistently redistribute more than the latter group of countries over time. Thus, initial conditions seem to have played an important role in setting these economies on their respective redistributive paths. To illustrate, note that public spending as a share of the GDP in France went up from 12% in 1960 to about 30% in 2016; in Australia it went up in the same period from about 6% to 16%—almost exact same rate of increase.¹⁴ An important policy implication then is that initial policy interventions may carry long-term implications.

Public social spending as a share of GDP, 1960 to 2016



Social spending includes, among others, the following areas: health, old age, incapacity-related benefits, family, active labor market programmes, unemployment, and housing.



Data source: Our World in Data based on OECD and Lindert (2004)

OurWorldInData.org/government-spending | CC BY

FIGURE 2 | Persistence of public social spending over time: Continental Europe versus the United Kingdom and offshoots.

4 | Endogenous Productivity

Our baseline framework can be extended in different directions. We explore one such possibility here by endogenizing total factor productivity which so far has been normalized to unity. To do so, we interpret capital as mainly embodying the human component and assume that productivity determined by the distribution of human capital in the population, as follows:

$$A_t = \left[\int (\kappa_{jt}^\varepsilon) dj \right]^{1/\varepsilon}, \quad \varepsilon \leq 1, \quad (17)$$

where ε is the substitution parameter, and $\sigma = \frac{1}{1-\varepsilon}$ is the elasticity of substitution; when $\varepsilon = 1$, the human capital levels are perfectly substitutable across the households, and the productivity is determined by the aggregate level of net human capital. In this, we follow the specification in Jones (2014), which stipulates a less than perfect elasticity of substitution across human capital levels, such as skilled and less skilled.

In each period, gross income is determined by Equation (2), with the TFP given as in (17). As before, the redistributive tax rate is set through majority voting first, upon which budget allocations take place. Clearly, the second-stage equilibrium remains unchanged, and we proceed with the determination of the tax rate.

It can be seen that the equation for the logarithm of next-period income is now modified thus:

$$\log(y_{i,t+1}) = \log A_{t+1} + \log(a_{i,t+1}) + (1 - T_{t+1}) \log(y_{it}^\alpha) - \log \left[\int (y_{jt}^\alpha)^{(1-T_{t+1})} dj \right] + \log(C_2)^\alpha + \log \int (a_{j,t+1} y_{jt}^\alpha) dj, \quad (9')$$

where

$$\begin{aligned} E \log A_{t+1} &= \left(\frac{1}{\varepsilon} \right) \left\{ \varepsilon \alpha (1 - T_{t+1}) \mu_t + \frac{(\varepsilon \alpha (1 - T_{t+1}))^2 \sigma_t^2}{2} \right. \\ &\quad \left. - \varepsilon \left[\alpha (1 - T_{t+1}) \mu_t + \frac{(\alpha (1 - T_{t+1}))^2 \sigma_t^2}{2} \right] \right. \\ &\quad \left. + \varepsilon \log \int y_{jt}^\alpha dj + \varepsilon \log(C_2)^\alpha \right\} \\ &= - \frac{(\alpha (1 - T_{t+1}))^2 \sigma_t^2 (1 - \varepsilon)}{2} + \log \int y_{jt}^\alpha dj + \log(C_2)^\alpha. \quad (18) \end{aligned}$$

The first term in the above expression is an increasing function of the tax rate to reflect the fact that a more equal distribution of human capital in the population is beneficial for the TFP, whereas the last term, as before, decreases with the tax rate to reflect the adverse incentive effect of higher taxes on human capital

accumulation. In particular,

$$\frac{dE\log A_{t+1}}{dT_{t+1}} = \alpha^2 (1 - T_{t+1}) \sigma_t^2 (1 - \varepsilon) + \frac{\alpha dC_2/dT_{t+1}}{C_2}. \quad (19)$$

This expression clearly decreases in ε and increases in σ_t^2 . Hence, when ε is small and/or inequality is large, then the first term dominates, and the higher the tax rate the larger the TFP, which also implies that average next-period income in this case may increase in the tax rate. This observation is important, as it indicates the possibility that the standard trade-off between redistribution and growth may not hold and, ultimately, more equal countries may also achieve faster growth rates.

The equilibrium analysis, details of which are developed in the Appendix, leads to:

Proposition 4. *When productivity is a function of the distribution of human capital in the population, with a degree of complementarity across human capital levels, a higher tax rate may enhance productivity as well as the level of average next-period income; and inequality, by reducing the tax rate, could be detrimental for productivity.*

The intuition here is that higher taxes have two effects. The standard one uniformly reduces human capital accumulation because of the tax burden. However, the countervailing factor is that redistributive taxation leads to a more equal parental income, hence, more equal children's human capital. With imperfect substitutability in human capital levels, a more equal distribution, by incrementally increasing the human capital of the poor while decreasing that of the rich, enhances productivity. Thus, a higher tax rate reduces individuals' human capital, but makes its distribution more equal—two countervailing forces in their productivity effect. To the extent that the second factor dominates, therefore, a higher tax rate may be associated with a productivity increase. This result complements the previous analysis in suggesting that a high level of redistribution may be associated with faster growth, in addition to reducing inequality. In other words, the standard trade-off between growth and equality inherent in the baseline variation or when human capital levels are perfectly substitutable does not necessarily hold.¹⁵

5 | Empirical Evidence

As the theoretical model above hinges on the importance of the salience of the social status motive, in this section we exhibit micro and macro evidence showing that this factor does indeed play a role in being related to redistribution preferences. In particular, we show that, when individuals favor obtaining a higher social status, their interest in redistribution is reduced; and at the aggregate country level, a higher average level of social status seeking is robustly and negatively correlated with top marginal personal income tax rates—a measure of the extent of redistribution.¹⁶

In our analysis, we make use of the data regarding individual attitudes obtained from the ESS—a biennial cross-national survey that systematically measures attitudes, beliefs, and behaviors across European societies. Established in 2001, it aims to monitor

social change, assess stability in values, and facilitate cross-national comparison through high methodological standards. More than 30 countries participate, applying harmonized sampling, translation, and fieldwork procedures to ensure data comparability.¹⁷ This makes a total of 374.513 observations entering the repeated cross-section equations, and distributed over a period of 20 years, biannually from 2002 to 2022. The empirical analysis, for reasons detailed below, has also focused on the 9th wave of the Survey, conducted in year 2018 and covering 29 of the aforementioned countries (excluding Albania, Greece, Israel, Luxembourg, Macedonia, Romania, Russia, Turkey, Ukraine, and Kosovo), for a total of approximately 38.000 observations used in the regressions. Each round of the ESS includes a core module on enduring topics such as political trust, social values, and well-being, along with rotating modules addressing current issues like migration, climate change, or inequality. The included countries are relatively advanced, with above world average income per capita, generally operating within the framework of capitalist liberal democracy that relies on achieved rather than on ascribed status award system.

In particular, we will use the responses to the question related to material social status seeking, formulated as follows: “It is important to him to be rich. He wants to have a lot of money and expensive things.” The responses are expressed on a 1–6 scale, from “Very much like me (1)” to “Not like me at all (6)”; thus, the lower the response number the higher the material status motive. In the micro individual-level analysis this will be our main explanatory variable, whereas in the aggregate macro analysis, responses will be aggregated within each country. The difference between the micro and the macro models, therefore, is mainly given by the respective dependent variables.

In the microregressions we will select, as the dependent variable, the answers to either of the following questions:

“A society is fair when income and wealth are equally distributed among all people” with answers distributed on a five-level scale, from 1 (“Agree strongly”) to 5 (“disagree strongly”), and

“The government should take measures to reduce differences in income levels,” with answers distributed as in the previous question.

The lower the number, therefore, the stronger is the preference for equity and redistribution. The first question is only present in wave 9 (2018) that features a special focus on fairness, while the latter is included in all waves. Therefore, the latter will be used as the dependent variable in the repeated cross-section econometric analysis, while the former will be the dependent variable in a specific, one-period analysis for wave 9.

The dependent variable of the macro analysis, on the other hand, will be given by the top marginal personal income tax rates across countries and periods. This is obtained from the OECD tax database, available online at: <https://data-explorer.oecd.org> and the countries and years covered are the same as in the broad, repeated cross-section sample described above.

Table 1 contains some descriptive statistics for the main variables used in microregressions. As is clear from the table, which is

TABLE 1 | Summary statistics.

Microanalysis	N	Mean	Median	SD	Min	Max
Society is fair when income/wealth equally distributed	48,386	2.711	2	1.151	1	5
Government should reduce differences	504,385	2.095	2.000	1.019	1	5
Important to be rich, have money	497,884	4.057	4.000	1.347	1	6
Important to be rich, have money (below median income)	197,225	4.184	5.000	1.359	1	6
Important to be rich, have money (above median income)	300,659	3.975	4.000	1.332	1	6
Male	514,643	0.462	0.000	0.499	0	1
Age	512,057	48.295	48.000	18.632	13	123
Age squared/100	512,057	26.796	23.040	18.604	1.69	151.29
Married	514,643	0.502	1.000	0.5	0	1
Separated	514,643	0.012	0.000	0.108	0	1
Divorced	514,643	0.084	0.000	0.277	0	1
Widowed	514,643	0.09	0.000	0.286	0	1
Education	514,643	3.301	3.000	2.168	0	7
Employee	514,643	0.293	0.000	0.455	0	1
Self-employed	514,643	0.048	0.000	0.213	0	1
Family business owner	514,643	0.006	0.000	0.079	0	1
Household's total net income	391,002	5.458	5.000	2.757	1	12
Macroanalysis						
Marginal income tax rate	297	28.774	26.700	9.931	7.982	56
Corporate income tax	297	24.357	25.000	6.453	9	40.25
Important to be rich	276	4.086	4.196	0.422	2.793	4.942
Importance to have success	276	3.157	3.146	0.423	1.87	4.248

Note: This table presents the main descriptive statistics of the variables included in the empirical analyses. All data are extracted from the stacked cross sections of all ESS waves, except for the first, which comes from ESS, wave 9, only. In the bottom panel status-seeking variables are country means of individual responses, by year. Tax data are drawn from the OECD tax database.

based on all ESS waves, there is quite enough variability in our data, which explains the relatively low standard deviations of estimated parameters in our regression analyses. Interestingly, the first two moments of the distribution of our economic status-seeking variable are quite similar in the subgroups of respondents whose household net income is below and above median net income. This means that it is not only more affluent people that attach importance to being rich and possessing expensive goods, but also the less affluent do. Therefore, the negative correlation between economic status seeking and attitudes toward fairness and redistribution do not only originate from the desire to preserve an objective economic status (in terms of wealth or income) but also from the salience of relative income standing.

The results of our empirical analysis are mainly contained in Tables 2–4. Table 2 illustrates the result of regressing individual support for fairness on status seeking and includes many socioeconomic and demographic controls. Its inspection reveals a significantly negative correlation between advocating fairness (first column) or support for governments redistributing income in a more egalitarian way (second column), on the one hand, and material status seeking on the other. Among the control variables, education is negatively correlated with fairness and redistributive stances, and the same is true for self-employment and the owner-

ship of family business; being an employee, on the other hand, induces more pro fairness and redistributive thinking. More affluent households, as indicated by the positive and statistically significant coefficient of the household income variable, are less sensitive to fairness and income redistribution goals.¹⁸ Appendix Table A1 illustrates the results of the corresponding ordered probit regressions, which allow for the ordinal nature of our outcome variables. As a cursory inspection of the table reveals, signs and significance of exogenous variables (main and controls) are fully in line with those already discussed above for ordinary least squares. In Appendix Table A2, we utilize, for comparison, another more general, status-seeking question from the same survey, “Importance of being successful and being recognized,” that replaces the economic status one as an explanatory variable. While the signs remain intact, only the support for government redistribution remains statistically significant (and much smaller in absolute value than the economic status variable in Table 2), reflecting the all-encompassing nature of the question as opposed to our main, specifically materially focused one.

Table 3 presents the results of the same regression, where the outcome variable is the individual opinion about the need for governments to redistribute income, but on a much wider sample, obtained by stacking all waves of the ESS Survey. This is therefore

TABLE 2 | Status seeking and fairness stances, wave 9.

Variable	Fair society with equalized income and wealth	Government needs to redistribute income
Important to be rich, have money and expensive stuff	−0.038 *** (0.010)	−0.074 *** (0.010)
Male	0.084 *** (0.015)	0.093 *** (0.015)
Age	−0.007 ** (0.003)	−0.014 *** (0.002)
Age squared/100	0.007 ** (0.003)	0.012 *** (0.002)
Married	−0.016 (0.020)	0.039 *** (0.014)
Separated	0.028 (0.048)	0.093 ** (0.042)
Divorced	0.049 ** (0.018)	0.043 *** (0.015)
Widowed	0.084 ** (0.037)	0.112 *** (0.025)
Education	0.073 *** (0.007)	0.024 *** (0.006)
Employee	−0.024 (0.016)	−0.005 (0.014)
Self-employed	0.103 *** (0.032)	0.122 *** (0.028)
Family business owner	0.180 *** (0.062)	0.325 *** (0.058)
Household income	0.058 *** (0.004)	0.043 *** (0.004)
Constant	2.382 *** (0.101)	2.272 *** (0.081)
Observations	38,746	38,784
R ²	0.165	0.112
Mean dependent var	2.739	2.098
SD dependent var	1.157	0.984

Note: This table presents the results of the OLS regression of fairness stances on status-seeking variables and a wide set of socioeconomic controls and country fixed effects. All data are extracted from ESS, wave 9. Standard errors are clustered at the country level in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

a repeated cross-section data set, the one on which the descriptive statistics in Table 1 have been computed. In this regression, wave (time) fixed effects are present, in addition to country fixed effects also featured in the former regressions. As can be seen, significance and sign of covariates are generally preserved in this repeated cross-section estimates.¹⁹ Table A3 displays estimated coefficients of the status variable resulting from running wave by wave OLS regressions (ordered probit yield similar results), from which we can see that these coefficients are fairly stable across waves. Table A4 presents the results from utilizing the

more general status-seeking survey question in the context of the fairness attitudes; as can be seen, its coefficient is statistically significant with the right sign, albeit its magnitude (in absolute value) is much smaller than that of the more specific economic question in Table 3.

Lastly, a macroregression analysis has been performed, aiming at evaluating conditional correlations between social status seeking and a more objective outcome, that is, top marginal personal income tax rates. To do so, we assign each country-year the mean

TABLE 3 | Status seeking and fairness stances (pooled data, all waves).

Variable	Coefficient
Important to be rich, have money and expensive stuff	−0.045*** (0.008)
Male	0.100*** (0.010)
Age	−0.013*** (0.002)
Age squared/100	0.012*** (0.001)
Married	0.017** (0.008)
Separated	0.070** (0.029)
Divorced	−0.007 (0.010)
Widowed	0.065*** (0.009)
Education	0.030*** (0.006)
Employee	−0.007 (0.008)
Self-employed	0.089*** (0.014)
Family business owner	0.177*** (0.036)
Household income	0.045*** (0.004)
Constant	2.228*** (0.050)
Observations	374,513
R ²	0.110

Note: This table presents the results of the OLS regression of fairness stances on status-seeking variables and a wide set of socioeconomic controls, country and wave fixed effects. Standard errors are clustered at the country level. Standard errors are in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

response to each of the two status-seeking variables used in the analysis, which now constitute our main explanatory variable.²⁰ The only control variable we added to the regressions, in addition to country and time (the latter were removed as all their coefficients were not statistically significant) fixed effects is corporate income tax, which was singled out in a recent contribution, van Ganzen (2023), as the main driving factor of top marginal personal income tax rates, one that “has a more pronounced and more significant effect than several political, economic, and institutional control variables”.²¹ Interestingly, corporate income tax adds as a proxy of a host of other variables that are likely

TABLE 4 | Status seeking and marginal tax rates (panel analysis).

Variable	Model 1	Model 2
Status-seeking variable	6.314*** (2.125)	5.294* (2.976)
Corporate income tax	0.243** (0.104)	0.234** (0.105)
Constant	−3.247 (9.309)	6.093 (10.045)
Observations	237	237
R ²	0.061	0.036
F-test	6.750	3.856

Status-seeking variable: Model 1 – Importance to be rich and possess expensive stuff.

Model 2 – Important to be successful. Note: This table presents the results of the panel OLS regressions of marginal personal income tax rates on two alternative status-seeking variables and corporate income tax, including country fixed effects. Standard errors in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

to be correlated with top marginal personal income tax rates. As Table 4 shows, both status-seeking measures are positively associated with the coded tax-rate outcome relationship, although the estimate for the broader success measure is less precisely estimated. More precisely, because lower survey values mean stronger status seeking, Table 4's positive coefficient implies that stronger status seeking is associated with a lower top marginal personal income tax rate. The size of the correlation is also quite large, implying in particular, that a one-standard-deviation decrease (about 0.4) in the status-seeking variable (i.e., people are on average more interested in obtaining a more prominent status) brings about a decrease of more than 2 percentage points in the top marginal personal income tax rate, while a one-standard-deviation increase in the corporate income tax (about 6.4) induces a 1.3 increase in the top marginal personal income tax rate.

6 | Final Remarks

Whereas the workhorse model of income redistribution indicates that high inequality leads to a larger demand for redistribution, empirical support for this relationship is tenuous at best. In fact, the relationship between inequality and top marginal rates (a measure of redistributive intensity) across countries is weakly negative.

To provide an explanation for this regularity, we explore the relevance and the consequences of material social status concerns for income redistribution and inequality. We suggest that the salience of such concerns implies that income inequality may decrease, rather than increase (as in the standard Meltzer–Richard framework), the support for income redistribution. This is in order to amplify the utility value of social status differentials by enhancing income differences. The indicated mechanism implies potential propagation between high inequality and reduced demand for redistribution, and, combined with the Meltzer–Richard framework is consistent with the weak and possibly negative relationship between income inequality

and redistribution. Consequently, we indicate the possibility of multiple steady states: high inequality/low redistribution and low inequality/high redistribution. Furthermore, an extension of the basic analysis indicates that the latter may result in a higher level of income than the former, provided that productivity depends on (human) capital complementarities.

Our empirical analysis explores the ESS database that explicitly elicits information regarding social status preferences. Its analysis reveals patterns consistent with the theoretical model, namely, that such preferences are associated with reduced preferences for redistribution. This holds true both at the individual and the aggregate country level. In summary, our analysis, therefore, indicates the potential importance of social status seeking beyond individual behavior. In affecting the pattern of voters' redistributive preferences, it also affects aggregate economy-wide outcomes, such as the level of taxation, income inequality, and growth.

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Data Availability Statement

The data and dofile that support the findings of this study are openly available in Openicpsr, at the URL: <https://www.openicpsr.org/openicpsr/project/250147/version/V1/view>.

Endnotes

¹In more recent years, this negative relationship further weakens and becomes not statistically significant. Of course, no causal interpretation is implied, the exhibited relationship is just indicative of the model mechanics.

²Doecke and Zilibotti, 2008, present a historical macroeconomic argument endogenizing the cultural evolution of social status associated with entrepreneurship in the context of the Industrial Revolution.

³Corneo and Grüner, 2000, as well as Gallice and Grillo, 2020, are static models as opposed to the intertemporal one exhibited here. Consequently, the possibility exhibited here of multiple steady states, which carries important implications, is absent in those papers.

⁴Acemoglu and Robinson, 2000, and Boix, 2003, among others, extend this framework to argue that democratization is related to redistribution.

⁵The important feature is the relevance of dispersion for salience; income variance as a measure of inequality is only chosen for tractability and analytical convenience. See Peters and Jetten, 2023, for a review of the relevant social psychology literature that relates societal inequality to salience of social status (see also somewhat more dated Wilkinson and Pickett, 2010). This work as well as Markovits, 2019, imply that inequality enhances status anxiety, also with respect to offspring—which often ignites the race for education achievements as a component of a status symbol. In East Asia, such race has become known as education fever, and its contribution to income inequality has been documented (see Gradstein, 2026, and references therein).

⁶As is standard in the redistribution literature (see e.g., Alesina et al. 2012; Benabou 2000; and references therein), preferences are assumed

identical to focus on income heterogeneity—this is the Occam's razor paradigm, which also lends itself to analytical tractability. Assuming, for example, differential social status weights, correlated with initial incomes, would lead to qualitatively similar results but would necessitate numerical analysis.

⁷Note that, as will also be clear from the baseline analysis below, the nature of stipulated preferences (notably, the fact that the parents are ultimately assumed to have a warm glow motive for transfers to the children and their preferences are not based on the children's utilities) implies that children's future actions do not affect parental decision making.

⁸In the appendix, equilibrium analysis of a situation in the absence of redistribution is exhibited.

$$r_{t+1} = \frac{Corr(\log(y_{i,t+1}), \log(y_{it}))}{Cov(\log(y_{i,t+1}), \log(y_{it}))}$$

$$= \frac{E((\log(y_{i,t+1}) - \mu_{t+1})(\log(y_{it}) - \mu_t))}{\sigma_{t+1}\sigma_t}$$

$$\begin{aligned} \text{Given by } &= \frac{\alpha(1-T_{t+1})E(\log(y_{it}) - \mu_t)^2}{\sigma_{t+1}\sigma_t} \\ &= \frac{\alpha(1-T_{t+1})\sigma_t}{(\varphi^2 + \alpha^2(1-T_{t+1})^2\sigma_t^2)^{1/2}} \\ &= \left(\frac{\varphi^2}{(\alpha(1-T_{t+1})\sigma_t)^2 + 1} \right)^{1/2}. \end{aligned}$$

¹⁰In other words, utility difference as a function of two different tax rates T' and T'' is affine in $\log y_i$ with a constant slope, so the set of incomes that prefer T' over T'' is an interval: preferences switch at most once as income rises.

¹¹To illustrate, consider the following numerical example (it is not special): $\alpha = 0.1$, $\delta = 8$, $\varphi = 2$, $\sigma_t = 0.5$, $F(x) = x$. Then (15) has two roots: $T_{t+1,1} = 0.37$, $T_{t+1,2} = 0.87$, and, further, (16) holds.

¹²While existence of the shock is central for this argument, the multiplicative nature of the relationship is for analytical tractability.

¹³This graph is for illustration only. The US is excluded as its low level of redistribution is well known and has been documented and addressed by others, see e.g., Alesina et al., 2012. Including additional countries in continental Europe generates the same picture.

¹⁴Of course, such cross country differences could be attributable to other institutional or political factors, so that the graph should be seen as suggestive. The point is the cultural factors as explored here can be consistent with this pattern as well.

¹⁵As is shown in the appendix, when, for example, φ^2 is large, a larger level of income inequality results in a lower tax rate, which then according to (19) may reduce the TFP.

¹⁶There is a large empirical literature on redistribution, partly focusing on the Meltzer-Richard, 1981, paradigm; see, e.g., Corneo and Grüner (2002), Fong, 2001, Milanovic, 2000. Some of this work is summarized in Alesina and Giuliano (2011). Also relevant is Alesina et al., 2018, where redistributive preferences are linked to concerns about children's standing.

¹⁷The countries covered by the Survey are: Albania, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Iceland, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Montenegro, Macedonia, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, Ukraine and Kosovo.

¹⁸To make sense of correlations, here and in the macro regression discussed below, we have to remember that lower numbers in the outcome variable express a stronger agreement with the proposed issue.

¹⁹As with the wave 9 regression, we have repeated the analysis by using an ordered probit regression, which confirms the results obtained by ordinary least squares.

- ²⁰ The set of countries for which we had data on the dependent and independent variables is composed by: Austria, Belgium, Czechia, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Iceland, Hungary, Ireland, Israel, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovenia, Slovakia, Spain, Sweden and Switzerland.
- ²¹ The idea being that, especially in a globalized world, corporate and top marginal personal income tax rates should be correlated to prevent tax shifting.

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Appendix A

A.1 | Equilibrium in the Absence of Redistribution

For illustrative and comparison purposes, we hereby present the equilibrium analysis abstracting from redistribution—our main interest in the text analysis. Assuming that $T_{t+1} = 0$, the first-order conditions with respect to the private investment decisions are given by

$$\frac{1}{y_{it} - k_{i,t+1}} + \frac{\alpha + \delta\alpha}{k_{i,t+1}} = 0.$$

And so,

$$k_{i,t+1} = \frac{(\alpha + \delta\alpha)y_{it}}{1 + \alpha + \delta\alpha}, c_{it} = \frac{y_{it}}{1 + \alpha + \delta\alpha}, y_{i,t+1} = a_{i,t+1} \left[\frac{(\alpha + \delta\alpha)y_{it}}{1 + \alpha + \delta\alpha} \right]^\alpha. \quad (A1)$$

And the social status component is given as follows:

$$ss_{i,t+1} = \gamma_{t+1} \frac{a_{i,t+1} y_{it}^\alpha}{\int a_{j,t+1} y_{jt}^\alpha dj}. \quad (A2)$$

Taking logarithms of next-period incomes, we obtain

$$\log(y_{i,t+1}) = \alpha \log\left(\frac{\alpha + \delta\alpha}{1 + \alpha + \delta\alpha}\right) + \alpha \log(y_{it}) + \log(a_{i,t+1}), \quad (A3)$$

which is normally distributed with recursively defined parameters:

$$\mu_{t+1} = \alpha \log\left(\frac{\alpha + \delta\alpha}{1 + \alpha + \delta\alpha}\right) + \alpha \mu_t, \sigma_{t+1}^2 = \varphi^2 + \alpha^2 \sigma_t^2. \quad (A4)$$

Furthermore,

$$\gamma_{t+1} = F(\text{Var}\{y_{j,t+1}\}) = F(\varphi^2 + \alpha^2 \sigma_t^2). \quad (A5)$$

We can also calculate resulting utility levels by plugging in the above derivations:

$$\begin{aligned} U_{it}(c_{it}, y_{i,t+1}, ss_{i,t+1}) &= \log\left(\frac{y_{it}}{1 + \alpha + \delta\alpha}\right) \\ &+ \log\left(a_{i,t+1} \left(\frac{\alpha + \delta\alpha}{1 + \alpha + \delta\alpha}\right)^\alpha\right) \\ &+ \delta \log\left[F(\varphi^2 + \alpha^2 \sigma_t^2) \frac{a_{i,t+1} y_{it}^\alpha}{\int a_{j,t+1} y_{jt}^\alpha dj}\right]. \end{aligned} \quad (A6)$$

Defining the steady state of the economy as income distribution that replicates itself from period to period and denoting its parameters in bold, we have

$$\mu = \frac{\alpha \log\left(\frac{\alpha + \delta\alpha}{1 + \alpha + \delta\alpha}\right)}{1 - \alpha}, \quad \sigma^2 = \frac{\varphi^2}{1 - \alpha^2}, \quad (A7)$$

so that the steady state is uniquely determined.

Social mobility is conceptualized as a reciprocal of intergenerational correlation in (logarithms of) incomes; which, in turn, is defined as follows:

$$\begin{aligned} r_{t+1} &= \text{Corr}(\log(y_{i,t+1}), \log(y_{it})) = \frac{\text{Cov}(\log(y_{i,t+1}), \log(y_{it}))}{\sigma_{t+1} \sigma_t} \\ &= \frac{E(\log y_{i,t+1}) - \mu_{t+1})(\log(y_{it}) - \mu_t)}{\sigma_{t+1} \sigma_t} = \frac{\alpha E(\log(y_{it}) - \mu_t)}{\sigma_{t+1} \sigma_t} \\ &= \frac{\alpha \sigma_t}{(\varphi^2 + \alpha^2 \sigma_t^2)^{1/2}} = \frac{1}{(\frac{\varphi^2}{\alpha^2 \sigma_t^2} + 1)^{1/2}}. \end{aligned} \quad (A8)$$

A.2 | Alternative Modeling of Income Redistribution or Status Motive

Suppose that, instead of redistributing capital, the government redistributed income, so that

$$z_{i,t+1} = A_{t+1} a_{i,t+1} k_{i,t+1}^\alpha \quad (A9)$$

is gross income, and

$$y_{i,t+1} = \frac{z_{i,t+1}^{\alpha(1-T_{t+1})}}{\int z_{j,t+1}^{\alpha(1-T_{t+1})} dj} \int z_{j,t+1}^\alpha dj$$

$$= \frac{(a_{i,t+1} k_{i,t+1}^\alpha)^{(1-T_{t+1})}}{\int (a_{j,t+1} k_{j,t+1}^\alpha)^{(1-T_{t+1})} dj} \int a_{j,t+1} k_{j,t+1}^\alpha dj \quad (A10)$$

is net income. Clearly, our lognormality assumptions guarantee that the shock and capital are separable. If tax decisions are made under the veil of ignorance about the shock then it changes nothing. If, in contrast, a parent votes on the tax rate knowing the individual shock, then, at equilibrium, the difference between the average and the median of the shock, given by $\varphi^2/2$, would appear as an additional term in Equation (15) characterizing the equilibrium tax rate. But this constant term would change nothing of substance.

Alternatively, suppose that, instead of income, children's status is derived from their net human capital. To show qualitative equivalence to the text analysis, suppose that in gross human capital is $b_{i,t+1} k_{i,t+1}^\alpha$ where $b_{i,t+1}$ is interpreted as a child's innate schooling ability, distributed in each period lognormally like the idiosyncratic shock in the text analysis. Then the after redistribution level is

$$\kappa_{i,t+1} = \frac{(b_{i,t+1} k_{i,t+1}^\alpha)^{(1-T_{t+1})}}{\int (b_{j,t+1} k_{j,t+1}^\alpha)^{(1-T_{t+1})} dj} \int b_{j,t+1} k_{j,t+1}^\alpha dj. \quad (2')$$

And

$$ss_{i,t+1} = \gamma_{t+1} \frac{\kappa_{i,t+1}}{\int \kappa_{j,t+1} dj}, \quad (4')$$

where the salience variable is

$$\gamma_{t+1} = F(\text{Var}\{\log(\kappa_{j,t+1})\}). \quad (5')$$

As can be seen by substitution into utility functions, this generates expressions qualitatively identical to those in the text.

A.3 | Details of the Proofs of Propositions 3 and 4

Proof of Proposition 3.

The steady state is characterized as follows:

$$\begin{aligned} \mu &= \log\left[\frac{(\alpha + \delta\alpha)(1-T)}{1 + (\alpha + \delta\alpha)(1-T)}\right]^\alpha - \frac{(1-T)^2 \alpha^2 \sigma^2}{2} + \alpha \mu + \frac{\alpha^2 \sigma^2}{2}, \text{ or} \\ \mu &= \left\{ \log\left[\frac{(\alpha + \delta\alpha)(1-T)}{1 + (\alpha + \delta\alpha)(1-T)}\right]^\alpha - \frac{(1-T)^2 \alpha^2 \sigma^2}{2} + \frac{\alpha^2 \sigma^2}{2} \right\} / (1 - \alpha) \end{aligned} \quad (A11a)$$

$$\sigma^2 = (1-T)^2 (\varphi^2 + \alpha^2 \sigma^2), \text{ or, } \sigma^2 = \frac{\varphi^2 (1-T)^2}{1 - \alpha^2 (1-T)^2}. \quad (A11b)$$

$$\begin{aligned} (1 + \delta)(1-T) \alpha^2 \sigma^2 - \frac{\alpha}{1-T} + \frac{\alpha(\alpha + \delta\alpha)}{1 + (\alpha + \delta\alpha)(1-T)} \\ - \frac{F'(\varphi^2 + (1-T)^2 \alpha^2 \sigma^2)}{F(\varphi^2 + (1-T)^2 \alpha^2 \sigma^2)} \cdot 2\delta(1-T) \alpha^2 \sigma^2 = 0, \end{aligned} \quad (A11c)$$

where the first two equations together imply that income distribution is constant from one period to the next; and the third equation represents the first-order internal condition for the selected tax rate.

In the absence of status concerns, when $\delta = 0$ or $F' = 0$, it can be shown that the left-hand side in (A11c) decreases in T over the admissible domain; is positive when $T = 0$, provided that φ^2 is high enough (and, in particular, when $\varphi^2 > 1$); negative when T tends to 1, and hence has

a unique root. In contrast, when δ is positive, it generally has multiple roots. The reason is that the left-hand side in (A11c) is a polynomial whose power is in general larger than one (its maximal degree is 7), implying in principle existence of multiple real solutions.

To give an illustrative example, suppose that $\alpha = 0.52$, $\delta = 16$, $\varphi = 1$, $F(x) = e^{x^2}$. Then direct calculations yield two roots of (A11c) (with $\sigma^2 = \frac{\varphi^2(1-T)^2}{1-\alpha^2(1-T)^2}$): $T_1 = 0.45$, and $T_2 = 0.55$. Generally, larger δ tend to generate multiple solutions. Even more importantly, the elasticity of the salience function F , $\frac{F'}{F} = \frac{d \log F(x)}{dx}$, is a key factor: the larger it is the more sensitive the solutions to variations in status salience.

Proof of Proposition 4.

Suppose for simplicity that $F(x) = x$. The equilibrium condition for the majority approved tax rate is now amended as follows:

$$\alpha^2 (1 - T_{t+1}) \sigma_t^2 (1 - \varepsilon) + (1 + \delta) (1 - T_{t+1}) \alpha^2 \sigma_t^2 - \frac{\alpha (1 + \varepsilon)}{1 - T_{t+1}} + C_2 (1 + \varepsilon) - \frac{2\delta (1 - T_{t+1}) \alpha^2 \sigma_t^2}{\varphi^2 + (1 - T_{t+1})^2 \alpha^2 \sigma_t^2} = 0. \quad (A12)$$

Differentiation of which yields

$$\text{Sign} \left(\frac{dT_{t+1}}{d\sigma_t^2} \right) = \text{Sign} \left\{ (1 - \varepsilon) + (1 + \delta) - \frac{2\delta \varphi^2}{\left[\varphi^2 + (1 - T_{t+1})^2 \alpha^2 \sigma_t^2 \right]^2} \right\} \quad (A13)$$

Qualitatively, therefore, the results of the main analysis hold, and, provided that φ^2 is large, the bracketed expression is negative implying that the equilibrium tax rate decreases with income inequality, despite the added positive term $1 - \varepsilon$.

TABLE A1 | Status seeking and fairness stances (ordered probit).

Variable	Fair society with equalized income and wealth	Government needs to redistribute income
Important to be rich, have money and expensive stuff	−0.042*** (0.010)	−0.088*** (0.011)
Male	0.080*** (0.017)	0.096*** (0.017)
Age	−0.009*** (0.003)	−0.018*** (0.003)
Age squared	0.008*** (0.003)	0.016*** (0.003)
Married	−0.011 (0.020)	0.054*** (0.016)
Separated	0.029 (0.051)	0.109** (0.044)
Divorced	0.053*** (0.017)	0.045** (0.018)
Widowed	0.089** (0.036)	0.133*** (0.030)
Education	0.071*** (0.007)	0.025*** (0.007)
Employee	−0.024 (0.016)	−0.001 (0.017)
Self-employed	0.104*** (0.030)	0.141*** (0.030)
Family business owner	0.170*** (0.064)	0.356*** (0.063)
Household income	0.057*** (0.004)	0.050*** (0.003)
—	—	—
Observations	38,746	38,784
Pseudo R^2	0.058	0.044
Mean dependent var	2.739	2.098
SD dependent var	1.157	0.984

Note: This table presents the results of the Ordered Probit regression of fairness stances on status-seeking variables and a wide set of socioeconomic controls and country fixed effects. Standard errors are clustered at the country level. Standard errors are in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

TABLE A2 | Status seeking and fairness stances (a general status question).

Variable	Fair society with equalized income and wealth	Government needs to redistribute income
Importance of being successful	−0.006 (0.007)	−0.025*** (0.008)
Male	0.093*** (0.015)	0.106*** (0.017)
Age	−0.008*** (0.003)	−0.015*** (0.002)
Age squared	0.007** (0.003)	0.012*** (0.002)
Married	−0.018 (0.020)	0.037** (0.014)
Separated	0.032 (0.049)	0.106** (0.041)
Divorced	0.050** (0.018)	0.044*** (0.015)
Widowed	0.078** (0.036)	0.111*** (0.025)
Education	0.073*** (0.007)	0.022*** (0.006)
Employee	−0.029* (0.016)	−0.009 (0.015)
Self-employed	0.108*** (0.032)	0.126*** (0.028)
Family business owner	0.185*** (0.060)	0.312*** (0.057)
Household income	0.060*** (0.004)	0.046*** (0.003)
Constant	2.271*** (0.085)	2.075*** (0.067)
Observations	38,589	38,629
R^2	0.164	0.106
Mean dependent var	2.740	2.100
SD dependent var	1.158	0.985

Note: OLS regression of fairness stances on a more general status-seeking variable (“Importance of being successful and being recognized”) and a wide set of socioeconomic controls and country fixed effects. Standard errors are clustered at the country level. All data are extracted from ESS, wave 9. Standard errors are in brackets. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

TABLE A3 | Status seeking and fairness stances (by wave).

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
	2002	2004	2006	2008	2010	2012	2014	2016	2018	2020	2022
Important to be rich and have expensive things	−0.056**	−0.061***	−0.043**	−0.035***	−0.016	−0.027*	−0.058***	−0.051***	−0.074***	−0.043***	−0.045**
	(0.002)	(0.000)	(0.002)	(0.001)	(0.093)	(0.017)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)
Observations	25,710	30,564	28,181	39,374	38,524	42,872	30,886	35,565	38,784	28,715	35,338
R ²	0.149	0.152	0.132	0.117	0.146	0.134	0.136	0.090	0.112	0.090	0.073

Note: Dependent variable: “Government should reduce income inequality.” The OLS regressions feature all the controls of regressions included in the regressions of Tables 2 and 3. However, for space reasons, only the coefficients of social status-seeking variables have been reported. *p*-values are in parentheses. **p* < 0.05, ***p* < 0.01, ****p* < 0.001.

TABLE A4 | Status seeking and fairness stances (a general status question, pooled data, all waves).

Variable	Coefficient
Importance of being successful	−0.016*** (0.006)
Male	0.110*** (0.011)
Age	−0.014*** (0.002)
Age squared	0.012*** (0.001)
Married	0.017** (0.008)
Separated	0.070** (0.031)
Divorced	−0.006 (0.010)
Widowed	0.065*** (0.009)
Education	0.029*** (0.006)
Employee	−0.009 (0.008)
Self-employed	0.089*** (0.014)
Family business owner	0.180*** (0.035)
Household income	0.047*** (0.004)
Constant	2.121*** (0.042)
Observations	373,211
R ²	0.108
Mean dependent var	2.101
SD dependent var	1.021

Note: This table presents the results of the OLS regression of fairness stances on a more general status-seeking variable (“Importance of being successful and being recognized”) and a wide set of socioeconomic controls, country and wave fixed effects. Standard errors are clustered at the country level. Standard errors are in brackets. ****p* < 0.01, ***p* < 0.05, **p* < 0.1.