We introduce status in a standard ('canonical') macro model of growth and distribution. Status is introduced in a flexible way that allows for intrinsic and extrinsic motivation, loss aversion, heterogeneity in motives and inequality aversion. We incorporate such considerations in the model and derive implications for growth, inequality and labour supply. We review empirical evidence related to these variables, and show that the predictions of the model with status are consistent with these observations. Thus, status can offer a rich set of new explanations related to important empirical patterns. © 2012 The University of Manchester and John Wiley & Sons Ltd.

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