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Gain versus pain from status and ambition: Effects on growth and inequality

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Abstract
To shed light on growth, distribution and the relationship between the two, we develop an endogenous growth model with heterogeneous individuals who care about social status. Individuals’ heterogeneity stems from two sources: their innate skills and their degree of ambition. While the willingness of individuals to accumulate wealth depends on whether they experience gain or pain from loss of status, we show that ambition of individuals plays an important role regarding growth and distribution: ambition can inhibit or foster accumulation of wealth, then in turn growth. In such a context, though we show that growth can be positively or negatively correlated with inequality, the case of a positive correlation between the two appears to be the most plausible. © 2009 Elsevier Inc.

Author Keywords
Ambition; Economic behaviour; Growth; Inequality; Social aspirations

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