

## "Inequality, Status, and Consumption"

Politicians and economists have often argued that reducing inequality would lead the least well-off consumers to save more and consume less; but this hypothesis and its causal mechanism have never been studied experimentally. In five experiments, we find that reducing the inequality of the distribution of income or of possessions increases the satisfaction of people in the lowest tier of the distribution. However, lower inequality also implies that low-tier consumers who choose to consume gain more ranks in the distribution because they “leapfrog” over the higher number of people clustered in the middle tiers. Therefore, we find that reducing inequality reduces consumption when people focus on their own endowment (for inconspicuous consumption, when social indifference goals are primed, and in cooperative environments). However, reducing inequality *increases* consumption, when people focus on gaining social rank (for conspicuous consumption, when social competition goals are primed, and in competitive environments).