

## KEEPING UP WITH THE JONESES TO IMPRESS THE SMITHS: CONSPICUOUS CONSUMPTION IN A SOCIETY WITH INCOME SEGREGATION

### AUTHOR

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### EXECUTIVE SUMMARY

I develop a signalling model to study how income segregation impacts conspicuous consumption when neighbourhood income distributions are the reference for social comparisons, but consumers signal to an outside observer. Consumers can have different attitudes to status: conformists have a greater incentive for conspicuous consumption when they have many well-off neighbours, while snobs have a greater incentive when they have few well-off neighbours. Despite the neighbourhood income distribution affecting the incentives of snobs and conformists in starkly different ways, I show that conspicuous consumption is always higher in a more segregated society.



### KEYWORDS

- Consumer economics
- Asymmetric and private information
- Mechanism design
- Conspicuous consumption
- Income segregation
- Relative income
- Signalling
- Status

### RESEARCH RELEVANCE

- Shows that income segregation between neighbourhoods increases wasteful spending on status goods, even if overall income inequality is unchanged.
- Explains how people's desire to look well-off, shaped by comparisons with their local environment, can lead to higher conspicuous consumption when rich and poor households become more spatially separated.
- Demonstrates that greater income segregation worsens welfare by amplifying inefficient status competition and suggests that targeted luxury taxes could be an effective policy response.

### BIBLIOGRAPHIC INFORMATION

Mihm, B. (2026). Keeping up with the Joneses to Impress the Smiths: Conspicuous Consumption in a Society with Income Segregation. *Economic Journal*, Article ueag001. Advance online publication.  
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*“Greater income segregation across neighbourhoods fuels costly status competition and increases conspicuous consumption.”*

