

Keeping up with the Joneses: Exploring the Evidence

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Abstract

This paper examines the empirical evidence of interdependent preferences. In particular, I examine certain assumptions regarding theoretical models of ‘keeping up with the Joneses’ (KUJ) and their predictions. I evaluate the assumptions and predictions of these models by developing an empirical model and estimating it using geo-referenced household panel data from the Italian SHIW database, 1991-2006. So far the results suggests that KUJ leads individuals with relatively lower income to save *more* than they otherwise would have, implying that the time-tradeoffs involved in keeping up today versus keeping up tomorrow are important. It remains to examine whether the data support the oft-made assumption that households care *less* about keeping up when they are old as opposed to when they are young.