A Theory of
Status Organizations

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1. INTRODUCTION

There are many instances in which an individual's decision to patronize a firm depends not just upon the quality and price of the goods or services offered by the firm, but also upon the personal characteristics of the other patrons of the firm. Social clubs, such as country clubs, are conspicuous examples. The socioeconomic status and other personal attributes of a country club's membership are likely to be quite as important to a prospective member as are the quality of the golf course, the tennis courts, and the food served in the club diningroom. Private educational institutions provide another example: students commonly select a college not only on the basis of the quality of the instructional program, but also with an eye to the intelligence, earlier education, social attractiveness, athletic ability, and future promise of its other students.

Residential suburbs exhibit the same phenomenon. There, individuals have a strong incentive to patronize—that is, to reside in—a community composed of people who build expensive residences. This incentive derives not simply from a taste for attractive surroundings and affluent friends, but also from the fact that such neighbors raise the community's property tax base and thus reduce the effective price of municipal services.

Such considerations can be important not only in cases such as those just described, in which individuals are purchasing services *from* a firm, but also where individuals are selling services *to* a firm. A scholar, for example, will commonly choose employment with a particular university not just, or even

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