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 mem-
ber 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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