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## Abstract

Income gains in the  
the late 1970s. Man  
Chief executive offic  
growth in firm size.

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compensation resulted from a process of diffusion within localized networks, propagating higher pay among corporate executives. We compare three possible explanations for diffusion: director board interlocks, peer groups, and educational networks. The statistical results indicate that corporate director networks facilitate social comparisons that generate the observed pay patterns. Peer and education network effects do not survive a novel endogeneity test that we execute. A key implication is that local diffusion through executive network structures partially explains the changes in macro patterns of income distribution found in the inequality data.



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