The objective of this work is to understand the equilibrium contracting implications of having managers with keeping up with the Joneses incentives. The lack of empirical evidence for relative performance pay is somewhat of a puzzle. The puzzle is exacerbated by the fact that empirically it has been shown that not only doesn't compensation decline with peer firms performance, it in fact increases in peer performance. We show that assuming managers have Keeping up with the Joneses incentives allows a simple rationalization for this evidence, and derive additional testable implications.