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Conspicuous Consumption and Redistributive Preferences – The Effect of Bling on Solidarity

Abstract

Does conspicuous consumption have an effect on redistributive attitudes? Conspicuous consumption refers to displays of luxury goods such as clothing and accessories, expensive homes and vehicles. This type of good is directly observable and signals the status of their owners to the outside world. If and how exposure to status-goods consumption matters for political attitudes is an under-studied question. Drawing on mainstream political economy, one might expect that status-goods consumption increases the salience of income inequality, thus leading low- and middle-income voters to demand redistributive policies. However, consumer behavior research and social psychology indicate that when individuals are exposed to others' conspicuous consumption they tend to save less and consume more observable goods, and thus support less redistributive policies. This project aims to test these hypotheses with an online survey experiment on Swedish citizens.

1. Introduction

Does conspicuous consumption matter for the redistributive preferences of citizens in advanced democracies? Coined by Thorstein Veblen in *The Theory of the Leisure Class* (1899), the term “conspicuous consumption” refers to the act of displaying status-signaling goods such as luxury clothing, accessories, expensive cars, etc. “Visible wealth” or “status-goods consumption” are two equivalent concepts employed in consumer behavior research that I also use interchangeably throughout this paper. Compared to other expenditures, the utility derived from conspicuous consumption or displays of wealth does not only depend on the intrinsic qualities of the product, but also on observers recognizing the good as expensive and exclusive

(Frank 1985; Nelissen and Meijers 2011). Exposure to others' displays of luxury goods has been linked to suboptimal economic decisions such as higher consumption of observable goods, higher rates of credit card debt, and lower saving rates (Moav and Neeman 2012; Friehe and Mechtel 2014; Carr and Jayadev 2015). Moreover, experimental studies document a tendency to confer social benefits to people displaying luxury goods compared to people not displaying such goods (Nelissen and Meijers 2011). However, despite a growing interest in income inequality, political science has been slow to recognize the role of conspicuous consumption for the formation of redistributive attitudes (for an exception to the rule see Sands 2017; Sands and de Kadt 2019).

If and how exposure to conspicuous consumption matters for redistributive attitudes is an under-studied question. This paper aims to answer it by deriving and testing two competing hypotheses about the possible effects of exposure to visible wealth on redistributive attitudes. On the one hand, drawing on mainstream political economy, one possible implication is that exposure to visible wealth increases the salience of income inequality, thus leading low- and middle-income voters to demand redistributive policies (Meltzer and Richard 1981). In this case, conspicuous consumption serves as an everyday manifestation of income inequality strengthening its effect on redistributive attitudes. On the other hand, consumer behavior research and social psychology indicate that when individuals are exposed to visible wealth they tend to prioritize their own private consumption at the expense of public goods consumption, and thus show less support for redistributive policies (Frank 1985; Hopkins and Kornienko 2004; Arrow and Dasgupta 2009). In this case, conspicuous consumption functions as a distraction from income inequality, as people become increasingly concerned with enhancing their own status through consumption. This could potentially explain the mixed effects of income inequality on redistributive demand in the mainstream political economy literature.

To test these two hypotheses I plan to conduct an online survey experiment on Swedish citizens in which exposure to conspicuous consumption is operationalized with the help of photographs, introduced to participants as a social media feed. The treatment photographs represent ordinary people i.e., not celebrities or professional models, displaying luxury good, e.g. a Chanel shopping bag. The control photographs are identical, but do not display any luxury brand logos. To conclude, this paper contributes theoretically to the political economy literature on the political effects of income inequality in several ways. First, it investigates an under-explored topic that is highly relevant for the micro-foundations of income inequality. Second, it tests the

implicit assumption in mainstream political economy that exposure to wealth visibility will lead to higher demand for redistribution via the inequality salience mechanism. Third, it provides an alternative explanation for the effect of visible wealth on redistributive attitudes by drawing on consumer behavior research and social psychology. Fourth, it contributes empirically by exploring visual information as a novel source of political attitudes formation.

2. Literature review

Only a handful of experimental studies within political economy have studied the effect of visible wealth on redistributive attitudes, producing a rather mixed empirical picture. Sands (2017) finds that exposure to poverty in a wealthy setting decreases the willingness of passers-by to support greater redistribution through a “millionaire’s tax”. Conversely, in another field experiment, Sands and de Kadt (2019) show that exposure to wealth in poor neighborhoods leads to higher support for reducing inequality. Moreover, in a laboratory experiment, Nishi et al. (2015) find that, when endowment inequality is visible participants contribute less to their network, which eventually perpetuates inequality. Côté et al. (2015) also provide evidence that rich individuals become less generous when they learn about the wealth distribution in their countries.

This contradictory empirical tableau is likely due to the fact that scholars measure redistributive preferences differently, sometimes as support for taxing the rich, sometimes as support for reducing inequality, and sometimes as monetary contributions to the public good. Thus the results are arguably not directly comparable (Cavaillé and Trump 2015). In addition, not all these papers test for wealth visibility directly, nor do they all use comparable measures, with some relying on visual information in field experiments (Sands 2015; Sands and de Kadt 2019), and some employing written information in lab experiments (e.g. Nishi et al. 2015). Moreover, wealth visibility is operationalized in extreme contexts: a Ferrari in a poor South African neighborhood (Sands and de Kadt 2019) or homeless confederates in a wealthy financial neighborhood in Boston (Sands 2015). However, everyday encounters with wealth visibility are more likely to be less extreme (e.g. exposure to luxury brands in a middle-income neighborhood).

Moreover, the more recent strand of research focusing on inequality in the micro-environment rather than macro-level inequality, i.e. neighborhood-level vs. national-level, can be interpreted as an indirect attempt to study the political effect of wealth visibility. In essence, income differences are assumed to directly translate into consumption differences (e.g. house size, car

price) which in turn are more likely to be noticed by ordinary citizens at the neighborhood or municipality level. Here, scholars tend to find that neighborhood-level inequality correlates with inequality perceptions (Minkoff and Lyons 2019) and redistributive attitudes (Bailey et al. 2013; Johnston and Newman 2016). It is important to note, however, that these studies do not operationalize wealth visibility directly. Thus, they cannot account for the discrepancy between consumption inequality and income or wealth inequality. Furthermore, other studies provide conflicting evidence with the assumptions about the behavioral effects of inequality in the immediate context. For instance, Clark et al. (2009) show that Danish citizens are happier when their neighbors are richer and Boisjoly et al. (2006) demonstrate with a quasi-experiment that low- and middle-income students with wealthy roommates are less likely to support taxes on the rich.

To conclude, both the literature focusing on inequality in the micro-environment and the literature exploring wealth visibility more directly provide a mixed picture of how conspicuous consumption affects redistributive attitudes. This is partly because scholars carry over the assumptions of mainstream political economy about inequality and political behavior, failing to specifically address the topic of wealth visibility as a stand-alone theoretical building block. At the same time, these studies employ different operationalizations of wealth visibility and of redistributive attitudes. In the section below I develop two theoretical arguments for how wealth visibility affects redistributive attitudes based on mainstream political economy and on consumer behavior research.

3. Theory

A natural point of departure for any scholar interested in inequality and political attitudes is the median voter model which straightforwardly explains that low- and middle-income voters will tax the rich when inequality increases (Meltzer and Richard 1981). This literature is concerned with objective levels of inequality and does not address the issue of wealth visibility, nor does it pay too much attention to sources of inequality perceptions in general. Nonetheless, the concept of conspicuous consumption is compatible with the median voter theorem as a source of inequality salience. Exposure to wealth visibility renders income inequality salient and in turn triggers more support for redistribution, as the median voter theorem would expect. This holds even if income inequality does not directly translate to consumption inequality.

H1a. Participants exposed to wealth visibility in the treatment group will be more likely to support public spending on any policy area in order to reduce inequality compared to the control group.

Next, it is important to ask to what extent participants who would like to see increased redistribution are also willing to pay for it. A social identity extension of the median voter model predicts that when the distance between middle- and high-income groups increases relative to the distance between middle- and low-income groups, than middle-income voters will sympathize and coalesce with the poor (Lupu and Pontusson 2011). Thus, it is plausible to expect middle income voters to agree with a small income tax increase in order to support more redistribution.

H1b. Participants exposed to wealth visibility in the treatment group will more likely to agree with a 1% tax increase on all incomes in order to support public spending in the policy area of their choice compared to the control group.

An alternative theory is that wealth visibility reduces concerns with inequality and thus diminishes both support for redistribution and solidarity between low- and middle-income voters. I build this theory based on more recent studies on consumer behavior research and social psychology, but the intuition behind it can be traced all the way back to Adam Smith's *Theory of Moral Sentiments* (Smith 1759/2012). In essence, humans have a natural tendency to reward the rich by conferring them higher attention and status. This admiration leads ordinary people to emulate the behavior of the rich, indeed, *even their vices and follies* (TMS I.iii.3.8, 1759/2012). Thus, wealth visibility induces observers to focus on enhancing their own status-consumption, rather than to punish the rich for their extravagant consumption.

That exposure to conspicuous consumption influences economic choices is by now well-documented in the consumer behavior research literature. The main contribution of this literature has been to show that conspicuous consumption induces observers to increase household consumption. For instance, Bertrand and Morse (2016) find that non-rich households consume a larger share of their current income when conspicuous consumption at the top increases. Similarly, in a laboratory experiment Clingingsmith and Sheremeta (2018) show that visible consumption choices lead to a larger increase in demand for status-goods. Moreover, there is accumulating evidence based on time-series data that visible wealth is

connected to lower saving rates and higher debt (Drechsel-Grau and Schmid 2013; Georgarakos et al. 2014; Carr and Jayadev 2015).

If visible wealth induces observers to prioritize consumption to the point that they sacrifice their financial stability, it is plausible that it also reduces concerns with inequality and redistribution among low- and middle-income groups. This may occur due to scarcity effects on attention allocation (Shah et al. 2012; Mani et al. 2013). The feeling of not being able to live up to the same standards of consumption as everyone else drains cognitive resources and induces an attentional shift. Rather than securing financial stability by demanding more public spending on social insurance for example, individuals focus on securing social status by increasing visible consumption.

H2a. Low- and middle-income participants in the treatment group will be less likely to support public spending on any policy area in order to reduce inequality compared to the control group.

Moreover, exposure to visible wealth may also decrease solidarity with the poor among middle-income voters. Scholars have argued that conspicuous consumption generates a status-race, whereby individuals of all income groups compete for status by displaying status-goods (Frank 1997; Hopkins and Kornienko 2004; Arrow and Dasgupta 2009). This poses societies with a collective action dilemma: reducing status-consumption is beneficial both for financial stability and for sustainable development, yet individual withdrawals from the competition are highly costly. Thus, when exposed to visible wealth individuals will sacrifice public goods provision for the sake of their own consumption, even if they are concerned with inequality in principle.

H2b. Middle-income participants in the treatment group will less likely to agree with a 1% tax increase on all incomes in order to support public spending in the policy area of their choice compared to the control group.

2. Experimental Design Overview

The experiment will be conducted in Sweden, which represents a typical case for the first hypothesis, and a critical case for the second one. Swedish citizens are well-known for their high support of public spending and relatively high income taxes, and if the treatment group demands more redistribution and is more solidary than the control group, it will not be a

surprising result and more tests in other context will be necessary in order to gain support for the theory. On the contrary, if the alternative hypotheses are confirmed, than the theory is likely to work in other contexts as well with varying degrees of societal consensus on redistribution and inter-class solidarity.

The experiment will take the form of a between-subjects design with two experimental conditions. In the treatment group, participants are asked to take a look at 5 photos depicting individuals displaying status-goods. The photos are presented in the form of an Instagram feed, but the social media platform is not actually named. In the control group the participants see the exact same photos, but without displaying status-goods, which have been removed from the photos. In order to prevent the participants from feeling that they are being “experimented” on, I will ask them to press a like button for each photo they like, as they would when scrolling down their own social media feed. Race and age will be held constant in order to avoid omitted variable bias. Importantly, the photos come from tumblr.com, and are submitted by users who agree that their photos will be used for both private and commercial use.

Figure 1. Treatment and Control Conditions



Support for redistribution is measured by asking participants to indicate a policy area in which the government might increase public spending in order to reduce income inequality. Participants may choose between options a) improve job access for the unemployed, b) improve educational quality for everyone, c) increase unemployment insurance, or may indicate a policy area of their choice. The goal of this question is not to analyze the variance between these different policy choices but rather to infer redistribution support from them. Therefore this variable will be recoded as a dummy variable taking a value of 1 if respondents chose one of the three areas or indicated a policy area of their choice (which must be meaningful), and a value of 0 otherwise. While this measurement does not follow into the steps of previous studies of redistributive attitudes, it is arguably a more meaningful way of measuring support for redistribution since it gives participants the choice between concrete and relevant redistributive programs rather than asking them about redistribution in the abstract. Furthermore, participants who indicated that they support more redistribution in either one of the policy areas will also be asked to what extent they would agree to a 1% tax increase on all incomes in order to finance increased public spending in the area they chose. With this question I intend to measure the degree of solidarity between the different income groups in the sample.

Figure 2. Measuring Redistribution and Solidarity

Now please take a look at the following list of policy areas where increased public spending can help reduce inequality in our country. Choose one policy area where you would like to see increased spending or please write down another policy area of your choice.

- a) Improve job access for the unemployed
- b) Improve educational quality for everyone
- c) Increase unemployment insurance
- d) Other:
- e) The public should not spend more in order to reduce inequality because it is not an important issue.
- f) Inequality is important, but we should not spend more public funds to solve it.

(Only for answers a-d) To what extent would you agree with a 1% tax increase on all incomes in order to support public spending on the policy area you have selected?

2.1. Sample

The theoretical argument this experiment is aiming to test is about human psychology and at this point there is little evidence that institutions or culture fundamentally alter how people

react to displays of status goods, at least across advanced democracies. For instance, consumer behavior research from the US shows that demographic factors like race, gender, and age do not play a significant role when it comes to status-goods being noticed and recognized as such (Heffetz 2011; 2012; Walasek and Brown 2015; Walasek, Bhatia, and Brown 2018). Ultimately, it depends on the extent of funding, but I would be comfortable with an opt-in, non-representative sample recruited from a panel of a private company (this is the lowest bar). Besides the sample not being probability based, there is the risk that respondents who opt-in to participate in online surveys are more internet and social media-savvy, and thus might be different from the larger population. On the other hand, I do not expect them to react differently to the treatment photos than persons who are not social media-savvy. The best I could do with such a sample is to ask the survey company for a stratified sample. Before the analysis, I will use weights, calculated from Swedish census data from 2015 on gender, race, age, and a college degree indicator.

2.2. Internal validity

In order to verify the internal validity of the treatment, I will conduct a pilot study using a representative sample in which I will ask participants whether or not they can identify the status goods in the treatment photos, and to what extent they agree that those goods signal that their owner has a high status in society. A second purpose of this pilot is to verify if the effect of the photos varies significantly across demographic subgroups, for instance if younger people are significantly more likely than older age categories to recognize the status symbols of the goods in the photos.

2.3. External validity

This experiment attempts to reproduce a social media feed, a medium which a large majority of citizens in advanced democracies will recognize and find natural. Social media is also an important source of wealth visibility which transcends the micro-environment. However, since there will be no direct references to any specific social media channel, participants might still feel that they are being experimented on which lowers the external validity of the experiment.

2.4. Data quality considerations

For data quality purposes, I will follow the best practice recommendations in the survey experiments literature and include several attention checks, as well as record the time spent on completing the survey (Alvarez et al. 2019). The estimation will be conducted both with and without the subgroup who has failed the attention check. Then, at the end of the questionnaire, respondents will have to answer an open ended question (e.g. Describe your experience with this survey in one word). This step can help weed out questionnaires solved by bots. Related, I will also record the latitude and longitude of each response, in order to check for repeated geolocations. I will also check for fraudulent IPs. Finally, the survey will last maximum 7 minutes, which is arguably not very demanding for participants' attention.

2.5. Covariates

Typical covariates used in survey experiments in political behavior research will be measured post-treatment and post-outcome (after the conjoint analysis part): gender (binary), age (age brackets, ordered), monthly income (income brackets, ordered), ethnicity (nominal, depending on survey location), employment status (binary: currently employed, currently looking for jobs), education (binary, college degree, no college degree), political orientation (ordered, 5 categories, left-right).

3. (Preliminary) Conclusion

To conclude, this paper contributes theoretically to the political economy literature on the political effects of income inequality in several ways. First, it investigates an under-explored topic that is highly relevant for the micro-foundations of income inequality. Second, it tests the implicit assumption in mainstream political economy that exposure to wealth visibility will lead to higher demand for redistribution via the inequality salience mechanism. Third, it provides an alternative explanation for the effect of visible wealth on redistributive attitudes by drawing on consumer behavior research and social psychology. Fourth, it contributes empirically by exploring visual information as a novel source of political attitudes formation.

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