Short Report

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Personality, Income, and Compensatory Consumption: Low-Income Extraverts Spend More on Status

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People living on low income tend to spend a higher percentage of it on products and services perceived to have high status (Bagwell & Bernheim, 1996; Veblen, 1994). Although signaling wealth through greater consumption acts as a way for poorer groups to restore feelings of self-integrity (Sivanathan & Pettit, 2010) and personal power (Rucker & Galinsky, 2008, 2009), conspicuous consumption can also perpetuate financial hardship because it limits self-investment (Moav & Neeman, 2012). Understanding how the experience of deprivation affects spending decisions continues to be a significant research and policy goal.

We suggest that the experience of living with limited resources may not affect everyone equally, and there may be important personality differences in how people respond to having low income. Research on compensatory consumption suggests that people consume goods to compensate for perceived self-deficits (Kim & Gal, 2014), which can explain why people with lower income spend relatively more on high-status goods. We reason that the more individuals are inclined to focus on their relative social and economic status, the more frequently they will engage in purchases that satisfy the need for self-restoration.

Extraversion, the tendency toward sociability and ambition (Digman, 1990; Wilt & Revelle, 2009), predicts how much people value status (Roberts & Robins, 2000). For example, extraverts actively seek out status at work (Barrick, Stewart, & Piotrowski, 2002). When extraverts have low income, we expect this desire for status to be more pronounced, such that extraverts will spend a greater proportion of their money on status.

Method

We collected survey responses regarding age, employment status, gender, parental status, income, savings, debt, and cash withdrawals from 718 customers of a bank in the United Kingdom. These participants agreed to have their responses linked to their bank account data from the previous 12 months. Income was measured as the amount paid into their accounts across the 12-month study period (M = £22,439.26, SD = 19,989.45). Participants completed a personality measure, the 10-item Big Five Inventory (BFI-10; Rammstedt & John, 2007), along with measures of materialism and self-control.

We used these data to measure each person's total spending and spending within preexisting categories into which the bank automatically sorted the participants' transactions. We then calculated a metric of status for each spending category by asking 50 Amazon Mechanical Turk workers to rate each category on a scale from 1 (*very low status*) to 5 (*very high status*). High-status categories (i.e., those with average scores of 4 or 5) included "foreign air travel," "golf," "electronics," and "art institutions," whereas low-status categories (i.e., those with average scores of 2 or 1) included "pawnbrokers," "salvage yards," and "discount stores." Our outcome measure, *status spending*, was the amount of spending in high-status categories.

Results

We ran a negative binomial regression model (for full results, see Table 2 in the Supplemental Material available online) and found that the interaction between extraversion and income was a significant predictor of status spending, $\beta = -0.24$, 95% CI = [−0.40, −0.07],

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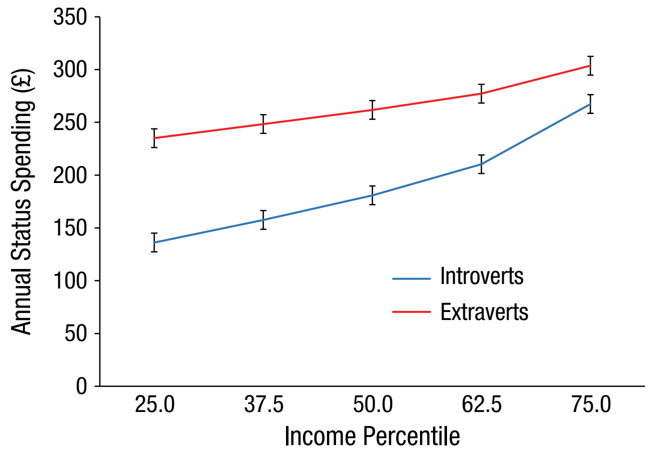

Fig. 1. Results of the simple-slopes analysis of income and extraversion as predictors of status spending. The graph shows annual status spending as a function of income, separately for extraverts (1 *SD* above the mean) and introverts (1 *SD* below the mean). Error bars indicate ±1 *SE*.

p = .005. Extraverted participants with low income spent more on status than their introverted peers. At high income levels, the difference between introverts and extraverts was less pronounced. Figure 1 illustrates this relationship using simple slopes plotted at 1 *SD* above and below the mean.

Controls included in the regression model were employment status, age, gender, savings, debt, cash withdrawals, materialism, self-control, scores for the other four Big Five personality traits, and interactions between the Big Five traits and income. These results were robust to different model specifications. The interaction between income and extraversion remained a significant predictor of status spending when we controlled for a range of demographic, financial, and personality variables. The significant interaction between income and extraversion also held across various measures of status spending (e.g., overall status spending and status spending as a percentage of total spending). The Supplemental Material contains full regression models and additional analyses.

Discussion

The findings suggest that the link between low income and status spending depends on the individual—low-income extraverts tended to engage in more status spending than low-income introverts. Although the nonrepresentative sample and cross-sectional data are notable limitations of our study, the use of objective transaction records and independent ratings of status spending help provide a realistic investigation of whether personality moderates the role of income on spending behavior. These findings highlight the need to consider personality differences in theories of how low income affects spending behaviors, and they offer a way in which personality research can deepen our understanding of which people may be likely to engage in behaviors that perpetuate the conditions of financial hardship.

Action Editor

Brent W. Roberts served as action editor for this article.

Author Contributions

B. Landis developed the study concept. J. J. Gladstone collected the data. B. Landis and J. J. Gladstone performed the data analysis and interpretation and drafted the manuscript. Both authors approved the final version of the manuscript for submission.

Declaration of Conflicting Interests

The authors declared that they had no conflicts of interest with respect to their authorship or the publication of this article.

Supplemental Material

Additional supporting information can be found at http://journals.sagepub.com/doi/suppl/10.1177/0956797617714811

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