

Conspicuous Consumption Reflects How Redistribution Influences Perceived Social Justice

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We build on recent economic theories of redistribution and beliefs about social justice to explore consumption behavior in its political and macroeconomic context. We develop a theory of conspicuous consumption as an indicator of consumers' beliefs about the effect of economic redistribution on social justice and on the deservedness of income: Consumers spend more on conspicuous goods when they think that redistribution regimes enhance rather than undermine social justice, depending on consumers' just-world beliefs. Specifically, redistribution enhances conspicuous consumption among those who do not believe that the world is just yet undermines it among those who believe that the world is just. We support our theory with data from three laboratory experiments and a national consumer survey and examine the effect of redistribution at both societal (taxation) and individual (compensation structure) levels.

To convert the businessman into the profiteer is to strike a blow at capitalism, because it destroys the psychological equilibrium, which permits the perpetuance of unequal rewards... The businessman is only tolerable so long as his gains can be held to bear some relation to what ... his activities have contributed to society.

John Maynard Keynes (quoted in Backhouse and Bateman 2009)

The market-based consumer economies in the United States and Western Europe face what has been called a crisis of legitimacy (Plender 2012). At the heart of this crisis lie questions about the extent to which unequal rewards and the resulting inequality of incomes in society are justified and deserved. Bank bailouts, fiscal austerity, and rising unemployment in the wake of the financial crisis of 2008 and the ongoing European debt crisis have exacerbated the growing unease about income inequality, felt in much of the world in the past two decades. While many top earners, especially in the U.S. (“the one percent”), either benefited from or were unaffected by the financial crisis, many others (“the 99 percent”) experienced substantial reductions in their standard of living. The wealth gap between the top one percent of U.S. earners and the rest of society has more than doubled in the last 20 years (The Economist, January 20, 2011), while growth rates of Western economies have slowed. Among calls for increasing taxes on higher earners to reduce income inequality and fiscal debt, policy makers have to stimulate consumer spending. Yet, many economists and politicians warn that raising taxes will decrease consumer spending and further constrict economic growth. Thus, many Western market-based economies seem unable to construct politically palatable solutions to either problem—income inequality and slow economic growth—because the solution to one may worsen the other. The macroeconomic challenge is to foster economic growth (e.g., by increasing consumer spending) in a political environment that calls for tax increases and greater income redistribution from rich to poor.¹

To inform this debate, we examine whether the relationship between income

¹ We focus on consumer spending as a key determinant of short-term economic growth. Other determinants include investments, net exports, and government spending.

redistribution and consumer spending depends on consumers' beliefs about the causes of income inequality, specifically about whether income inequality justly reflects differences in the deservedness of income or whether it reflects luck, a distinction implied by the Keynes quote. Redistribution is a policy instrument intended to balance the effect of luck on income inequality (Alesina and Angeletos 2005; Bénabou and Tirole 2006). High levels of redistribution may therefore increase perceptions of social justice when consumers believe that the world is unjust (i.e., when incomes are not deserved because they depend on luck). Yet extensive redistribution may also decrease these perceptions when they believe the world is just to begin with (i.e., when pre-tax incomes are deserved because they depend on effort) so that redistribution interferes with justice. We propose that consumers' beliefs about the effect of redistribution on social justice and on the deservedness of income are reflected by their preferences for conspicuous consumption: Consumers spend more on conspicuous goods when they think that redistribution regimes enhance rather than undermine social justice. We support our theory with data from three laboratory experiments and a national consumer survey and examine the effect of redistribution at both societal (taxation) and individual (compensation structure) levels.

Our work adds to recent research that has begun to examine consumption behavior in its political and macroeconomic context (Cutright et al. 2011; Kamakura and Du 2012). Our contribution is threefold. First, we offer a theory of conspicuous consumption that extends beyond mere status signaling by linking it with recent economic theories of redistribution and beliefs about social justice (Alesina and Angeletos 2005; Bénabou and Tirole 2006). Thus, we show that beliefs about the causes of (in)equality, not just actual inequality (Christen and Morgan 2005) or equality (Ordabayeva and Chandon 2011), influence consumer spending. Second, by shedding light on the effects of redistribution on specific types of consumption, our

theory adds a new facet to research on the complex and often contradictory effects of taxation on consumer spending and on the economy (Feldstein and Elmendorf 1990; Romer and Romer 2010; Taylor 2011). Third, we present initial experimental evidence that redistribution can undermine or reinforce consumers' fundamental social beliefs, such as whether hard work results in deserved material wealth, a notion of major motivational importance in society and a key aspect of the American Dream.

REDISTRIBUTION, BELIEF IN A JUST-WORLD, AND CONSPICUOUS CONSUMPTION

Redistribution and Belief in a Just World

Alesina and Angeletos (2005) and Bénabou and Tirole (2006) offer theoretical equilibrium analyses of redistributive government policies as a function of society's dominant beliefs about the fairness and sources of income inequality among its citizens, that is, social beliefs about whether individual economic success derives from effort and hard work or from luck (Piketty 1995). Such redistributive policies entail taxation and other government levies that benefit all citizens alike (e.g., defense, security, infrastructure, and other public services) or specific groups (e.g., social security for retirees, health care benefits for the poor, employment subsidies for the underemployed). Revenues from higher earners disproportionately benefit lower earners, such that incomes are distributed more equally across the population after redistribution than before. A dominant social belief that individual economic success derives from personal agency yields regimes with relatively low redistribution, whereas a dominant belief that success derives from luck yields regimes with relatively high redistribution (Alesina

and Angeletos 2005; Bénabou and Tirole 2006; Savani and Rattan 2012). Macroeconomic redistribution policies thus vary with different societal conceptions of fairness and social justice (Rawls 1971). In their extreme forms, they either allow high earners to keep what society regards as the legitimate and deserved fruits of their labors, or they force them to share what society regards as their undeserved good luck with less lucky citizens.

The distinction between effort versus luck as sources of success reflects Lerner's (1980) theory of the Belief in a Just World (BJW; Alesina and Angeletos 2005; Bénabou and Tirole 2006). BJW refers to the belief that individuals are responsible for their own fate and therefore generally receive what they deserve. Lerner's work suggests that it is highly functional to believe that individual outcomes are the predictable consequences of people's behaviors, allowing consumers to maintain a sense of control over their outcomes (Wertenbroch, Vosgerau, and Bruyneel 2008). People derive comfort from believing that the world is just, that is, that personal outcomes are a deserved reflection of individual agency and effort more than luck (e.g., social circumstances). For example, BJW allows people to attribute poverty to personal responsibility instead of undeserved circumstances (Furnham and Gunter 1984; Harper et al. 1990). Yet, everyday life as well as statistical data often belie that belief and provide evidence that life is not necessarily just and that hard work is not correlated with high income (Alesina and Glaeser 2004; Lerner 1980). For example, Hochschild (1982) finds no difference in the effort invested by the top and bottom percentiles of earners, suggesting that luck plays a non-trivial role in determining people's outcomes (Bénabou and Tirole 2006; Gladwell 2008). As a result, there is variance in the degree to which consumers actually believe that individuals deserve their outcomes, despite the motivated baseline belief that the world is just (Lerner 1980).

Whereas Alesina and Angeletos (2005) and Bénabou and Tirole (2006) analyze the

reciprocal effects of just-world beliefs and redistribution on each other, we focus on whether redistribution interferes with consumer perceptions of deservedness among those who believe the world is just, and whether it enhances these perceptions among those who believe the world is not just. We ask whether and how redistribution-driven perceptions of deservedness manifest in consumer behavior. Specifically, we propose that consumers are more willing to consume conspicuously when they believe that redistribution yields deserved outcomes.

Conspicuous Consumption Signals Deservedness

Conspicuous consumption refers to the purchase and consumption of goods and services with the intention of gaining and signaling social status (Veblen 1899). Researchers in various fields, including economics, social psychology, and consumer research, have investigated when and why people are willing to spend money in order to impress others (Amaldoss and Jain 2005; Bagwell and Bernheim 1996; Frank 2005; Griskevicius et al. 2007; Han, Nunes, and Drèze 2010; Mandel, Petrova, and Cialdini 2006; Rucker and Galinsky 2008). A general finding is that the value of conspicuous consumption depends on the credibility and reliability of the signal and thus on the cost the sender incurs to send the signal, as implied by signaling theory (Dhar and Wertenbroch 2012; Padmanabhan and Rao 1993; Spence 2002; Grafen 1990). Conspicuous consumption is a credible signal of status only to the extent that observers can infer that consumers incur costs and invest effort to deserve the signaled status. Social contexts in which consumers perceive success as earned and deserved legitimize flaunting this success by means of conspicuous consumption. For example, Nelissen and Meijers (2011) found that social benefits of wearing conspicuous clothing (e.g., receiving donation amounts) disappear when participants are aware that the clothing is not the beneficiary's own, that is, when the beneficiary did not

incur costs to wear the clothing. In particular, findings by Drèze and Nunes (2009) and Kivetz and Simonson (2002) suggest that consumer perceptions of status in loyalty programs depend on the effort consumers have invested to obtain status. Conspicuous consumption is not meaningful when it is undeserved, that is, when it does not reflect exerted effort (Drèze and Nunes 2009).

Belief in a just world and deservedness. Based on these findings, we propose that the credibility, meaningfulness, and legitimacy of signaling status depend on consumers' beliefs about whether status and success derive from effort or from luck. When consumers believe that individual outcomes depend on effort (i.e., when BJW is strong), they perceive income inequality to be (relatively) deserved and thus conspicuous consumption is a meaningful signal of this deservedness. In contrast, when consumers believe that individual outcomes depend on luck (i.e., when BJW is weak), they perceive income inequality as undeserved and thus conspicuous consumption is not a meaningful signal of deservedness.

Redistribution and deservedness. One objective of redistribution is to correct for the effect of luck on income inequality by reducing variation in undeserved individual outcomes. Yet, to the extent that income inequality derives from variance in exerted effort, redistribution can also reduce variation in deserved individual outcomes. Our foregoing analysis of the effect of BJW on the signal value of conspicuous consumption therefore suggests the following: When consumers believe that success derives from effort (i.e., when BJW is strong), redistribution weakens the individual deservedness of incomes, thereby reducing the reliability of conspicuous consumption as a legitimate signal of status. Hence, redistribution decreases the value of conspicuous consumption for consumers with strong BJW. In contrast, when consumers believe that success derives more from luck (i.e., when BJW is weak), redistribution compensates for the lack of income deservedness, thereby enhancing the relative reliability of conspicuous

consumption as a legitimate signal of status. Hence, redistribution increases the value of conspicuous consumption for consumers with weak BJW.

In summary, we hypothesize that redistribution decreases preferences for conspicuous consumption when BJW is strong, whereas redistribution increases preferences for conspicuous consumption when BJW is weak.

We test this hypothesis in a series of four studies. Study 1 starts from Lerner's (1980) baseline assumption that consumers tend to believe that the world is just. It shows that manipulating attitudes toward redistribution via taxation affects preferences for conspicuous yet not for inconspicuous consumption and that BJW mediates the effect of redistribution attitudes on conspicuous consumption. Study 2 shows that BJW moderates the effects of redistribution on conspicuous consumption in a national consumer survey that measured attitudes toward taxation, BJW, and conspicuous consumption as a signal of success. Study 3 rules out licensing as an alternative explanation for our findings by showing that priming participants to believe they contribute more to, rather than benefit more from, redistribution weakens, rather than strengthens, their preferences for conspicuous consumption. Lastly, study 4 manipulates BJW instead of measuring it and operationalizes redistribution at the individual level (i.e., by subjecting participants to actual individual compensation structures), providing further evidence supporting our hypothesis. We close with a discussion of the theoretical contributions of our findings and of implications for public policy.

STUDY 1: REDISTRIBUTION UNDERMINES DESERVEDNESS

Alesina and Angeletos' (2005) and Bénabou and Tirole's (2006) equilibrium analyses

suggest a reciprocal relationship between just-world beliefs and societal redistribution regimes. Not only do just-world beliefs influence consumer preferences for redistribution (Maddux, Frank, and Wertenbroch 2012), but, in turn, redistribution regimes also shape consumers' perceptions of deservedness. Extensive redistribution may therefore dampen consumers' baseline belief in a just world that follows from Lerner's (1980) just-world hypothesis. Accordingly, we begin our empirical analysis by testing whether redistribution reduces preferences to consume conspicuously because it weakens the perceived relationship between individual effort and outcomes. To that end, we test whether BJW mediates the effect of redistribution on preferences for conspicuous consumption.

In addition, study 1 also tests an important boundary condition of the effect of redistribution on conspicuous consumption. We have argued that conspicuous consumption signals perceived deservedness. Thus, study 1 also manipulates the signal value of consumption. Specifically, we predict that redistribution weakens preferences for conspicuous but not for inconspicuous consumption.

Method

Participants and design. One hundred twenty-seven undergraduates (72 men) participated in this experiment in exchange for course credit. Participants came to the laboratory in groups of two to 10 and were each seated between partitions in front of a computer. The design of the experiment was a 2 (Redistribution: No-Tax vs. Progressive-Tax) \times 2 (Conspicuousness: Conspicuous vs. Inconspicuous) mixed-factorial design. Redistribution was a between-participant factor, whereas conspicuousness was a within-participant factor. The dependent variable was a rating of relative willingness to pay for conspicuous and inconspicuous goods.

Perceptions of deservedness were measured with items from Rubin and Peplau's (1975) BJW scale.

Redistribution. Redistribution of income versus no redistribution was manipulated by highlighting the advantages of progressive income taxation versus those of no income taxation. At the beginning of the study, half the students were asked to list three reasons that could justify a no-tax regime, whereas the other half were asked to list three reasons that could justify a progressive tax regime. In both conditions, the two different regimes were explained briefly in an introduction. Research has shown that the ease with which consumers generate reasons that support attitudinal judgments influences the strength of these judgments and that this retrieval ease is greater when only a small number of reasons has to be generated (Tybout et al. 2005; Wänke, Bohner, and Jurkowitsch 1997). We therefore expected participants to evaluate each tax regime favorably when asked to list only three reasons to justify it. A pretest had confirmed this prediction. An index of two items that measured 28 participants' preference for redistribution ("What tax system do you think is the fairest?" 1 = no tax, 9 = highly progressive; "What tax system do you prefer living in?" 1 = no tax, 9 = highly progressive; Cronbach's $\alpha = .58$) was scored significantly lower in the no-tax condition than in the progressive-tax condition ($t(1, 26) = 2.17, p < .05, M_{\text{no-tax}} = 4.31$ versus $M_{\text{progressive-tax}} = 5.54$).

Conspicuous and inconspicuous consumption. Next, to ascertain willingness to pay (WTP) for conspicuous and inconspicuous products as a measure of preference, we adopted a procedure by Griskevicius et al. (2007). Participants read the following instructions: "Imagine that you have 5,000€ in your bank account and that you are considering buying a few new things. We would like to know how much money you would consider spending on each type of purchase." Participants rated their WTP for three purchases—(a) a new jacket, (b) a new watch,

(c) a new cell phone—that could each conspicuously convey one’s financial resources and for three purchases that do not lend themselves to conspicuous consumption—(a) basic toiletries (e.g., tissues), (b) kitchen staples (e.g., salt), and (c) household cleaning products (e.g., tile cleaner). Following Griskevicius et al. (2007), participants further read: “Compared with the average student at your university, please indicate how much money you would want to spend on these items.” Responses were given on 9-point scales with 1 = much less than the average student, 5 = about average, and 9 = much more than the average student. The ratings for the three items in each category were averaged to create an overall WTP score for the conspicuous products (Cronbach’s $\alpha = .67$) and for the inconspicuous products (Cronbach’s $\alpha = .77$).

Belief in a just world. After assessing WTP ratings for conspicuous and inconspicuous products, three items from Rubin and Peplau’s (1975) BJW scale assessed participants’ current belief in a just world, that is, to what extent participants actually believed people receive the outcomes they deserve. Research suggests that BJW scale measures are context-dependent so that participants’ ratings should be sensitive to our redistribution manipulation (Deutsch 1975). Because of the multidimensionality of Rubin and Peplau’s scale (Whatley 1993), we selected the three items from the BJW scale that most directly address the concept of deservedness: (a) “People who get ‘lucky breaks’ have usually earned their good fortune,” (b) “By and large, people deserve the outcomes they receive,” (c) “People who meet with misfortune have often brought it on themselves,” each rated on a 9-point scale (1 = strong disagreement, 9 = strong agreement). We created a BJW index by means of a principal component analysis. All three items loaded on one factor (Cronbach’s $\alpha = .68$).

Social norm of conspicuous consumption. Since people who advocate lower levels of redistribution are more ideologically prepared to rationalize (or explain away) inequality in

society (Napier and Jost 2008), they may also consider it more appropriate to flaunt wealth than those who favor more redistribution. Therefore, we asked participants to rate the social appropriateness of conspicuous consumption to control for any social norms driving their stated consumption preferences (“I consider conspicuous consumption inappropriate;” 1 = I definitely disagree, 9 = I definitely agree).

Results and Discussion

An omnibus repeated-measures ANCOVA, with gender and ratings of conspicuous consumption norms as control variables, revealed the hypothesized interaction effect of redistribution (No-Tax vs. Progressive-Tax) and conspicuousness (Conspicuous vs. Inconspicuous) on WTP ratings ($F(1, 123) = 4.04, p = .046$). As predicted and illustrated in Figure 1, redistribution weakened preferences for conspicuous consumption ($F(1, 123) = 6.56, p = .012, M_{\text{no-tax}} = 5.75, M_{\text{progressive-tax}} = 4.98$) but showed no effect on preferences for inconspicuous consumption ($F(1, 123) < 1, M_{\text{no-tax}} = 4.33, M_{\text{progressive-tax}} = 4.34$). Gender exerted no main or interaction effects. Finally, our manipulation did not affect the norm to consume conspicuously ($F(1, 124) < 1, p > .49$), nor did this variable influence WTP for conspicuous products ($F(1, 123) < 2, p > .16$).

[Insert Figure 1 about here]

We also tested whether BJW mediated the effect of redistribution on conspicuous consumption. There was a marginally significant effect of redistribution on BJW, $\beta = -.31, t = -1.75, p = .083$ (a-path) and a significant effect of BJW on conspicuous consumption, $\beta = .41, t =$

2.74, $p = .007$ (b-path) but not on inconspicuous consumption, $\beta = -.017$, $t = -.14$, $p > .89$ (alternative b-path). We used bootstrap tests of the indirect effect ($a \times b$) of redistribution on WTP for conspicuous and inconspicuous products via BJW (Preacher, Rucker, and Hayes 2007; Zhao, Lynch, and Chen 2010). As predicted, BJW mediated the effect of redistribution on WTP for conspicuous consumption (95% bootstrap confidence interval; $-.37 < Z < -.01$) but not for inconspicuous consumption (95% bootstrap confidence interval; $-.07 < Z < .13$).²

Study 1 had two objectives. First, it provides evidence for our hypothesis that redistribution decreases preferences for conspicuous consumption as a signal of deservedness because redistribution weakens consumers' BJW, that is, their belief that individual outcomes are deserved and earned, as shown by the mediation analysis. Second, study 1 shows that consumers view conspicuous consumption as a signal of deservedness because redistribution decreases preferences for conspicuous consumption but not for inconspicuous consumption. Because our dependent measure asked participants about their preferences relative to other consumers in their peer group, the lack of an effect of redistribution on inconspicuous consumption preferences cannot be attributed to a floor effect from perceived price differences between the conspicuous and inconspicuous items we tested.

Since we measured BJW as a mediator variable instead of measuring or manipulating it as an independent variable, study 1 was not designed to offer evidence that the negative effect of redistribution on preferences for conspicuous consumption reverses when consumers do not believe that the world is just, that is, when they do not believe that individual outcomes are deserved and earned. We address this question next.

² The bootstrap test is significant when the confidence interval for the indirect $a \times b$ -effect excludes zero. The sign is negative because 'no tax' was coded as 0 and 'progressive tax' as 1.

STUDY 2:

THE STATUS SIGNALING VALUE OF CONSPICUOUS CONSUMPTION

Lerner's (1980) just-world hypothesis suggests that consumers both hold and derive comfort from a fundamental belief that the world is just. Accordingly, study 1 showed that redistribution weakens consumer preferences for conspicuous consumption as a signal of deservedness because it undermines their belief that outcomes are deserved. However, recent research points to cultural variations in BJW (Bénabou and Tirole 2006; Maddux et al. 2012). Following our hypothesis, study 2 aims to show that redistribution has opposite effects on whether consumers regard conspicuous consumption as a means to signal status, depending on their a priori beliefs whether the world is just. We predict that redistribution undermines the perceived effect of effort on outcomes among consumers with strong BJW, weakening the status signaling value of conspicuous consumption. Conversely, we predict that redistribution alleviates the perceived effect of luck or misfortune on outcomes among consumers with weak BJW, strengthening the status signaling value of conspicuous consumption. We test these predictions using nationally representative survey panel data that measured attitudes toward redistribution, just-world beliefs, and the status signaling value of conspicuous consumption.

Method

Data source. Our data come from a subset of 964 participants in the December 2010 wave of the Dutch LISS panel (Longitudinal Internet Studies for the Social Sciences; <http://www.centerdata.nl/en/LISSpanel>), in which we included four questions relevant to testing our hypothesis. The panel represents a stratified national sample of 5,000 Dutch households.

Every month, approximately 1,000 panel members complete an online survey, spending about 15 to 30 minutes. They are paid for each completed questionnaire. One member in the household provides all the data for the household and updates this information at regular time intervals. The data collection is repeated annually and is designed to follow changes in the life course and living conditions of the panel members. Half the survey is reserved for the LISS Core Study. The other half is available to collect more specific data such as ours.

Measures. Participants rated their attitude toward redistribution (“All else equal, what tax system do you prefer living in?” with 1 = no tax, 2 = flat tax, 3 = slightly progressive, 4 = moderately progressive, 5 = highly progressive), their belief in a just world (“People generally receive the outcomes they deserve, that is, people who are successful have usually earned their good fortune and people who meet with misfortune have often brought it on themselves,” from 1 = I definitely do not agree to 9 = I definitely agree), their perceived status signaling value of conspicuous consumption (“I think the possessions people have are a sign of their success in life,” from 1 = I definitely do not agree to 5 = I definitely agree), and the normative appropriateness of conspicuous consumption, similar to study 1 (“I do not think that it is inappropriate when other people see me buying or wearing expensive products,” from 1 = I definitely do not agree to 9 = I definitely agree).

Results and Discussion

As predicted, a linear regression analysis of the status signaling value of conspicuous consumption revealed a significant two-way interaction effect of redistribution attitude and BJW ($\beta = -.030$, $t = -2.40$, $p = .016$). To explore this interaction, we conducted a spotlight analysis of the slopes of redistribution attitude at different levels of BJW (Aiken and West 1991). As shown

in Figure 2, a positive slope of redistribution attitude at one standard deviation below the mean of BJW ($\beta = .066, t = 2.34, p = .020$) revealed that participants with a weak belief in a just world value conspicuous consumption more when they favor income redistribution (i.e., they favor more progressive tax regimes) than when they do not. In contrast, a negative slope of redistribution attitude at one and a half standard deviations above the mean of BJW ($\beta = -.092, t = -1.60, p = .05$, one-sided test) revealed that participants with a strong belief in a just world value conspicuous consumption more when they do not favor redistribution (i.e., they prefer no tax or flat tax regimes) than when they do.³

[Insert Figure 2 about here]

Our analysis controlled for linear effects of a variety of other factors that could potentially affect consumers' preferences for conspicuous consumption, including gender, household income, age, conspicuous consumption norms, future savings intentions, and political interest. All variables were mean centered.⁴ Results indicated effects of income ($\beta = .062, t = 1.89, p = .059$), age ($\beta = -.062, t = -1.90, p = .058$), intention to save in the near future ($\beta = -.068, t = -2.08, p = .038$), and political interest ($\beta = .067, t = 1.98, p = .048$) on preferences for conspicuous consumption. There were no effects of gender and conspicuous consumption norms (both t s < 1.6).

³A spotlight analysis at one standard deviation above the mean of BJW failed to show an effect of redistribution attitudes on conspicuous consumption, due to the positive skewness of the distribution of BJW in the panel ($M = 3.88$ on a scale from 1 to 9; $SD = 2.062$; skewness = .192). Increasing the distance to one and a half standard deviations above the mean leads to a spotlight analysis at a BJW score of 7 on a scale from 1 to 9, a rating that still 10% of the panel members chose as their answer. At the lower end of the scale, increasing the distance to one and a half standard deviations below the mean leads to a spotlight analysis at a BJW score that is actually off the scale (< 1) and thus is inappropriate.

⁴ All multicollinearity tolerance values ranged between .67 and .96, whereas only values smaller than .2 start indicating multicollinearity problems (O'Brien 2007).

The results of study 2 provide evidence in support of our hypothesis that consumers' attitudes toward redistribution and their beliefs whether the world is just or not interact to influence the status signaling value of conspicuous consumption. Consumers who believe that individual outcomes reflect individual effort consider conspicuous consumption more valuable when they oppose redistribution than when they favor it; weak just-world believers, on the other hand, value conspicuous consumption more when they favor redistribution than when they oppose it.

To provide additional evidence that these opposing effects of redistribution attitudes on conspicuous consumption result from the same underlying psychological process, reflecting consumers' social justice beliefs, we now examine a specific alternative mechanism for how redistribution might enhance preferences for conspicuous consumption. Study 3 contrasts the predictions of these two mechanisms with each other by testing how the personal consequences of redistribution affect preferences for conspicuous consumption.

STUDY 3: CONSPICUOUS CONSUMPTION FROM JUSTICE, NOT LICENSING

A potential alternative explanation for our finding in study 2, that income redistribution enhances the value of conspicuous consumption among weak just-world believers, is that income redistribution licenses or entitles people to consume conspicuously, as opposed to mitigating or enhancing perceptions of income deservedness (Fitzsimons, Nunes, and Williams 2007; Khan and Dhar 2006). After all, a progressive tax regime may legitimize conspicuous consumption because consumers who can afford to spend their after-tax income on conspicuous goods may do

so because they have already contributed a high percentage of their income to taxes. In that case, stronger preferences for conspicuous consumption should be observed among consumers who believe that they contribute to, more than benefit from, redistribution. In contrast, licensing cannot account for the findings in study two if net-beneficiaries have stronger preferences for conspicuous consumption than net-contributors.

Manipulating perceptions of the personal consequences of a given tax regime should therefore affect consumer preferences for conspicuous consumption. Specifically, we predict that contributing more to (rather than benefiting more from) taxes undermines consumers' perceptions of deservedness and consequently weakens these preferences.

Method

Participants and design. Seventy-seven undergraduates (42 men) participated in this experiment in exchange for course credit. All participants came to the laboratory in groups of two to 10 and were each seated between partitions at a computer. The design of the experiment was a two-level (Redistribution: Net-Contributor vs. Net-Beneficiary) between-subjects design.

Redistribution. At the beginning of the study, half the participants (Net-Contributor Condition) were asked to list “three advantages (e.g., governmental services) of progressive taxes that other people will benefit from more than you will yourself, that is, describe three ways in which other people will benefit from taxes more than yourself in the long run,” whereas the other half (Net-Beneficiary Condition) were asked to list “three advantages (e.g., governmental services) of progressive taxes that you personally will benefit from more than other people will, that is, describe three ways in which you personally will benefit from taxes more than other people in the long run.” In both conditions, progressive taxation was briefly explained in the

introduction. As in study 1, because listing few reasons is easy and people base their judgments on the ease, with which they generate reasons, rather than on the content or number of reasons they generate, we expected participants in the net-beneficiary condition to label themselves more as net-beneficiaries from taxes than participants in the net-contributor condition. A manipulation check confirmed this assumption. On a 9-point scale that measured self-perceptions as net-contributors versus net-beneficiaries (1= net-contributor to 9 = net-beneficiary), participants in the net-beneficiary condition scored higher than in the net-contributor condition ($t(1, 75) = 1.99$, $p = .05$, $M_{\text{net-beneficiary}} = 3.8$ versus $M_{\text{net-contributor}} = 3.0$).

Conspicuousness. Next, to ascertain the preference to consume conspicuously, we adopted a procedure by Rucker and Galinsky (2008). First, we asked participants to rate their relative WTP for a piece of high-end clothing (e.g., a jacket). Responses were given on a 9-point scale with the following labels: 1 = much less than the average student, 5 = about average, and 9 = much more than the average student. Next, we asked participants to rate their preferences for visible versus non-visible logos on the clothing (1 = not visible, 9 = visible), small versus big brand logos (1 = very small, 9 = very large), unnoticeable versus noticeable brand logos (1 = unnoticeable, 9 = noticeable), and inconspicuous versus conspicuous brand labels (1 = inconspicuous, 9 = conspicuous). We created an index of preferences for conspicuous consumption (WTP for clothing and preference for logos) by averaging all five items ($\alpha = .88$).

Results and Discussion

As predicted, an ANCOVA of the index of preferences for conspicuous consumption revealed a marginally significant effect of condition, showing that participants who viewed themselves as net-contributors to redistribution had weaker preferences for conspicuous

consumption than participants who viewed themselves as net-beneficiaries of redistribution ($F(1, 74) = 3.78$, $p = .056$, $M_{\text{net-contributor}} = 4.61$ versus $M_{\text{net-beneficiary}} = 5.29$). Gender was included as a covariate but did not have any main or interaction effects (all F 's < 1).

This result rules out an alternative explanation of our findings in study 2 in terms of a licensing effect. Under the assumption of licensing, preferences for conspicuous consumption should have been stronger for participants who believed to be net-contributors (and thus licensed or entitled to consume conspicuously), the reverse of what we predicted and found.

Study 3 also adds nuance to our finding in study 1 that redistribution weakens preferences for conspicuous consumption because it undermines consumers' just-world beliefs in a relationship between individual effort and outcomes. Study 3 shows that progressive taxation weakens especially those consumers' preferences for conspicuous consumption who believe to be net-contributors to redistribution. In combination with the mediation results in study 1, this suggests that progressive taxation undermines net-contributors' (i.e., higher earners') beliefs in the deservedness of individual outcomes more so than net-beneficiaries' (i.e., lower earners') beliefs.

STUDY 4:

REDISTRIBUTIVE COMPENSATION AND BELIEF IN A JUST WORLD

So far, we have measured just-world beliefs to test for mediation (study 1) and to examine the effect of these beliefs on the status signaling value of conspicuous consumption in the general population (study 2). Moreover, we have examined the effect of societal redistribution regimes on conspicuous consumption either by manipulating (study 1) or measuring (study 2) attitudes toward redistribution or by manipulating perceptions of the

personal consequences of redistribution (study 3). This allowed us to investigate redistribution effects at a societal level, operationalizing redistribution as tax policy. For a more direct test of whether redistribution restores or undermines perceptions of justice, as predicted by our theoretical framework, our final study subjects participants to an actual redistribution regime instead of focusing on their attitudes and perceptions.

Study 4 manipulates both redistribution and just-world beliefs instead of measuring them, operationalizing redistribution at an individual level, as the compensation structures in an experimental task. Compensation policies vary by whether employees are paid based on their individual performance (Holmstrom and Milgrom 1994; Lazear 2000) or more equally (Knez and Simester 2001; Levin and Tadelis 2005). Equal pay is inherently redistributive unless employees make identical contributions (Maddux et al. 2012). We therefore ask participants to perform an experimental task, for which they expect to be paid either according to their individual, effort-based performance (Performance Payment) or equally, independent of individual performance (Equal Payment). This manipulation imposes an actual redistribution regime on the participants, in which their pay is, or is not, redistributed across all of them.

Crossing this manipulation with a manipulation of just-world beliefs, study 4 provides direct moderation-of-process evidence of the underlying mechanism by undermining (restoring) perceived justice under redistribution of income among those who (do not) believe that outcomes are deserved (Spencer, Zanna, and Fong 2005). As a result, we predict that equal pay will weaken participants' preferences for conspicuous consumption when they believe the world is just and will strengthen their preferences when they do not believe the world is just. As in study 1, we predict no effect of the pay scheme or of just-world beliefs on inconspicuous consumption, which has no signal value.

Method

Participants and design. One hundred and eighteen undergraduates (68 men) participated in this experiment in exchange for 7€. They came to the laboratory in groups of two to 10 and were each seated between partitions at a computer. The design of the experiment was a 2 (Redistribution: Performance Pay vs. Equal Pay) \times 2 (BJW: Just World vs. Unjust World) \times 2 (Conspicuousness: Conspicuous vs. Inconspicuous) mixed-factorial design. Redistribution and BJW were between-participant factors, while conspicuousness was a within-participant factor.

(Un)just-world beliefs. As a manipulation of BJW, participants recalled a just versus unjust event in their lives and were given three minutes to write a short essay about their thoughts and emotions accompanying this experience. The instructions read as follows: “Below we ask you describe a past experience, in which you felt that you really deserved (did not deserve) the outcomes that you obtained, for instance, when you worked hard for something that did (not) pay off. Please describe your thoughts and emotions during and after this experience.” A pretest had confirmed that this manipulation affected BJW. The three BJW items we had also used in study 1 were rated significantly higher in the just condition than in the unjust condition, ($t(1, 51) = 1.77, p = .041$ (one-sided), $M_{just} = 3.85$ versus $M_{unjust} = 3.33$).

Redistribution regime. The manipulation of the redistribution regime involved a proofreading task. Participants indicated whether each of 15 sentences contained (a) a spelling error, (b) a grammatical error, (c) both a spelling and a grammatical error, (d) neither of the two. We told participants that their final score would be computer-generated and recorded at the end of the experimental session, based on both their answers and their response times relative to a relevant comparison group of students. In the performance-pay condition, participants learned

that they could earn extra compensation based on their task performance: “If your final score is between the 60th and 80th percentiles relative to the group of reference students, you will receive 2€. If you score above the 80th percentile, you will receive 4€. So you can receive extra compensation by performing well on the task. At the end of the task, the experimenter will consult your score on the computer to determine and pay your total compensation.” Next, we explained what the 60th or 80th percentiles mean. In the equal-pay condition, participants learned that their compensation would not depend on their performance: “As promised, all participants will receive the same payment of 7€. Whether you perform well or not thus has no influence on your payment, all participants in this task will be paid equally. At the end of task, the experimenter will check your score on the computer and will pay you 7€.” Participants learned their computer-generated score and payment after all other measures had been taken at the end of the session. To equalize actual compensation across the two conditions, all participants received false feedback that their performance corresponded to the 57th percentile of the comparison group. Thus, nobody in the performance-pay condition received additional compensation.

Conspicuousness. We measured preferences for conspicuous and inconspicuous consumption following the same procedure as in study 1, assessing participants’ WTP for three conspicuous and three inconspicuous products on 9-point rating scales, relative to the average student’s WTP on campus. As a dependent measure, we calculated the average WTP across the three conspicuous items ($\alpha = .53$) and the three inconspicuous items ($\alpha = .78$).

Results and discussion

We excluded six participants from the analysis based on the content of their short essays on just versus unjust events. Two participants recalled a sad event instead of an unjust event,

three participants described an ambivalent experience (both just and unjust at the same time), and one participant did not follow the instructions.

The analyses are based on the remaining 112 participants. As predicted, an omnibus repeated-measures ANOVA with gender as a control variable revealed the hypothesized three-way interaction between redistribution (performance pay versus equal pay), BJW (just versus unjust), and conspicuousness (WTP for conspicuous versus inconspicuous consumption; $F(1, 107) = 5.14, p = .025$). To examine the specific hypotheses of the study, we performed a series of separate ANOVAs.

As predicted, we found a two-way interaction effect of redistribution and BJW on participants' overall WTP for conspicuous products ($F(1, 107) = 11.85, p = .001$). As shown in Figure 4, planned contrasts revealed that participants who had recalled a just event were willing to pay more for conspicuous products under performance pay than under equal pay ($F(1, 107) = 7.10, p = .009, M_{performance} = 5.74$ versus $M_{equal} = 4.88$), whereas participants who had recalled an unjust event were willing to pay less for conspicuous products under performance pay than under equal pay ($F(1, 107) = 5.03, p = .027, M_{performance} = 5.11$ versus $M_{equal} = 5.91$). Participants' WTP for inconspicuous products was not affected by any of the independent variables (all $F_s < 1$). Men showed a higher WTP than women ($F(1, 107) = 16.06, p < .001, M_{men} = 5.82$ versus $M_{women} = 4.87$), but gender did not exert any interaction effects.

[Insert Figure 3 about here]

Study 4 provides direct evidence that consumers value the signaling function of conspicuous consumption more when the redistribution regime, under which they work, aligns

with their underlying justice beliefs. Participants who were primed to believe that the world is just were willing to spend more on conspicuous consumption when their earnings were not subject to redistribution, that is, when they expected to be paid according to their task performance. Conversely, participants who were primed to believe that the world is unjust were willing to spend more on conspicuous consumption when their earnings were subject to redistribution, that is, when they expected to be paid equally, regardless of their task performance. As in study 1, the absence of similar effects of redistribution and just-world beliefs on inconspicuous consumption, which has no signaling value, shows that consumer preferences for conspicuous consumption reflect their beliefs about whether outcomes are deserved or not. Redistribution through equal pay undermines perceptions of deservedness among those who believe that the world is just and restores perceptions of deservedness among those who believe that the world is not just.

GENERAL DISCUSSION

We developed a theory of conspicuous consumption as a signal of social justice. Preferences for conspicuous consumption depend on whether redistribution regimes align with consumers' underlying beliefs about social justice. Consumers value conspicuous goods more when they believe that redistribution either establishes justice by correcting for randomness in individual outcomes or does not interfere with justice by diluting the effects of effort on individual outcomes. Empirical support came from a series of three experiments and a national survey. Study 1 showed that redistribution weakened preferences to consume conspicuously because it diminished the perception that the world is just: BJW mediated the effect of

redistribution on preferences for conspicuous consumption. Preferences for inconspicuous consumption were unaffected, providing process evidence for the underlying signaling mechanism. Study 2, a national consumer survey, showed that redistribution has opposite effects on the status signaling value of conspicuous consumption depending on consumers' a priori beliefs whether the world is just: Among consumers with high BJW, redistribution weakened the status signaling value of conspicuous consumption, whereas among consumers with weak BJW, redistribution strengthened the status signaling value of conspicuous consumption. Study 3 ruled out licensing as an alternative explanation for our findings by showing that contributing to (vs. benefiting from) redistribution weakens preferences for conspicuous consumption. Lastly, study 4 provided additional support for our hypothesis, showing that redistribution decreased conspicuous consumption among those who thought the world was just but increased it among those who thought the world was unjust, by priming justice and employing equal or performance-based payment schemes.

Theoretical implications. By linking diverse literatures in economics (Alesina and Angeletos 2005; Bénabou and Tirole 2006; Frank 2005), social psychology (Furnham and Gunter 1984; Lerner 1980), and consumer behavior (Christen and Morgan 2005; Ordabayeva and Chandon 2011), we suggest how redistributive policies can influence consumer preferences for conspicuous consumption and beliefs about justice. This contribution is relevant to three distinct literatures: research on politically influenced consumer behavior, on the economic psychology of redistribution, and on conspicuous consumption. First, we contribute to the burgeoning literature that explores consumption behavior in its political and macroeconomic contexts (Cutright et al. 2011; Kamakura and Du 2012) by suggesting that conspicuous consumption can be an indicator of the social acceptability of economic redistribution rather than

a direct effect of income (in)equality (Christen and Morgan 2005; Ordabayeva and Chandon 2011). Second, we contribute to the literature on the effects of redistribution on consumer spending (Feldstein and Elmendorf 1990); we provide evidence of a relationship between redistribution, social justice, and consumer spending that suggests that it may be possible to increase taxes and consumer spending on conspicuous non-necessities at the same time. Third, we contribute to the conspicuous consumption and social signaling literature by enhancing the field's understanding of how and when conspicuous consumption is a reliable signal that consumers deserve their status (Drèze and Nunes 2009; Kivetz and Simonson 2002).

Policy implications. Our research is important in light of the renewed interest in income inequality and why it is a problem. Higher levels of income inequality in a country correlate with a host of economic and social ailments, including, but not limited to, rising consumer debt and personal bankruptcies, higher rates of infant mortality, and higher degrees of anxiety and stress (Christen and Morgan 2005; Wilkinson and Pickett 2009). Research suggests that the relationship between income inequality and these social indicators may partly arise because income inequality induces competition for status from conspicuous consumption of positional goods (Christen and Morgan 2005; Frank 2005). This raises the question whether governments should reduce inequality through greater income redistribution as a means of protecting people from the stresses of inequality, which include “keeping up with the Joneses” through conspicuous consumption (Christen and Morgan 2005). Yet, other research suggests that greater income equality, which results from greater redistribution, may increase status competition and conspicuous consumption, especially among the poor (Hopkins and Kornienko 2004; Ordabayeva and Chandon 2011). Our research addresses these seemingly incongruous findings by pointing to circumstances when policy makers in different countries may either reduce or

intensify status competition and conspicuous consumption through greater redistribution, depending on consumers' social justice beliefs. Thus, achieving greater income equality from redistribution may not affect or even reduce conspicuous consumption in societies with strong BJW yet intensify it in societies with weak BJW (Maddux et al. 2012).⁵

Our experimental results also support theoretical analyses in economics that imply that redistribution regimes affect fundamental national and cultural beliefs about achieving social mobility and success through hard work, a defining feature of political and cultural norms in many countries around the world (Alesina and Angeletos 2005; Bénabou and Tirole 2006). Our findings suggest that addressing income inequality and public debt by tax increases in these countries may not only decrease spending on conspicuous consumption but also, perniciously, reduce consumers' motivation to expend effort and work hard, thus potentially dampening long-term economic growth. Thus, it would be interesting to investigate whether extensive redistribution (via taxation or individual compensation policies) may undermine beliefs about effort and hard work as a source of individual success in countries such as the U.S. (e.g., the "American Dream") or reinforce beliefs that success is largely undeserved and therefore has to be shared in countries such as France (e.g., French *égalité* and *solidarité*).

Addressing these questions should not only contribute to our understanding of consumer behavior in its broader political context and of consumers' (waning?) beliefs about the legitimacy of free-market capitalism (or any other economic system) but also offer guidance to policy makers in addressing problems of income inequality and stagnant economic growth.

⁵ To illustrate, France is a society, in which a strong preference for income equality and redistribution coexists with famous luxury brands and prominent conspicuous consumption. Rather than implying plain hypocrisy, such "caviar socialism" may well signal deeply rooted beliefs about social justice from redistribution (Joffrin 2006).

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FIGURE 1:
WTP BY REDISTRIBUTION PREFERENCES (STUDY 1)

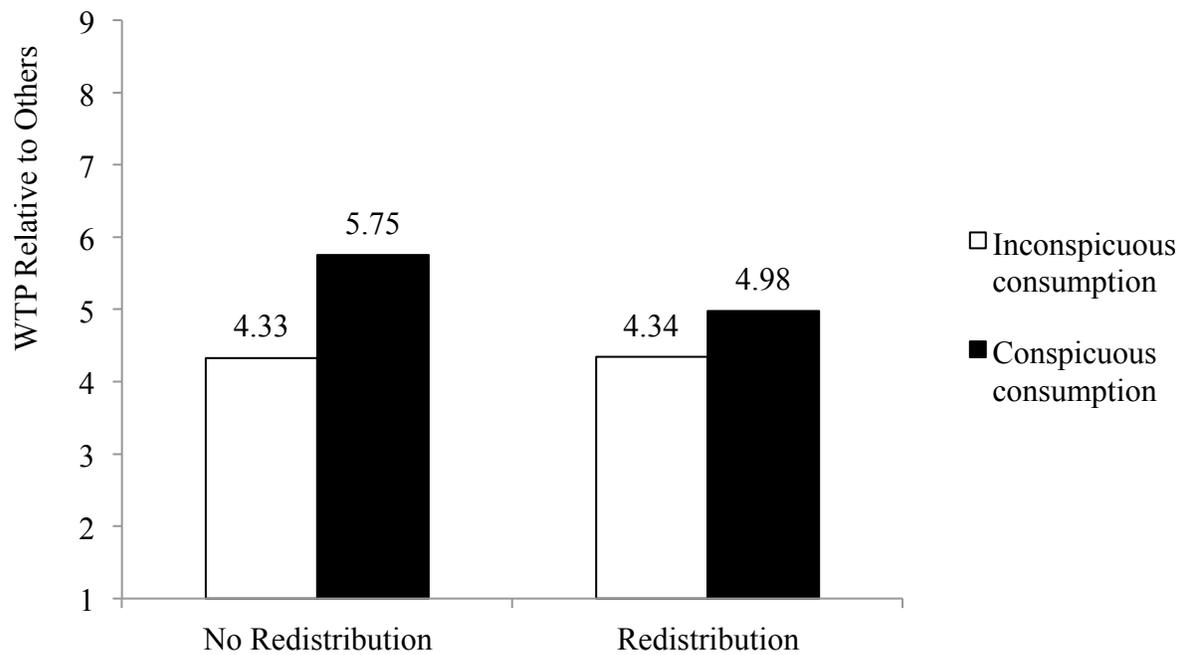


FIGURE 2
SIGNALING VALUE OF CONSPICUOUS CONSUMPTION AS A FUNCTION OF
REDISTRIBUTION ATTITUDE AND BJW (1sd below and 1.5sd above mean; STUDY 2)

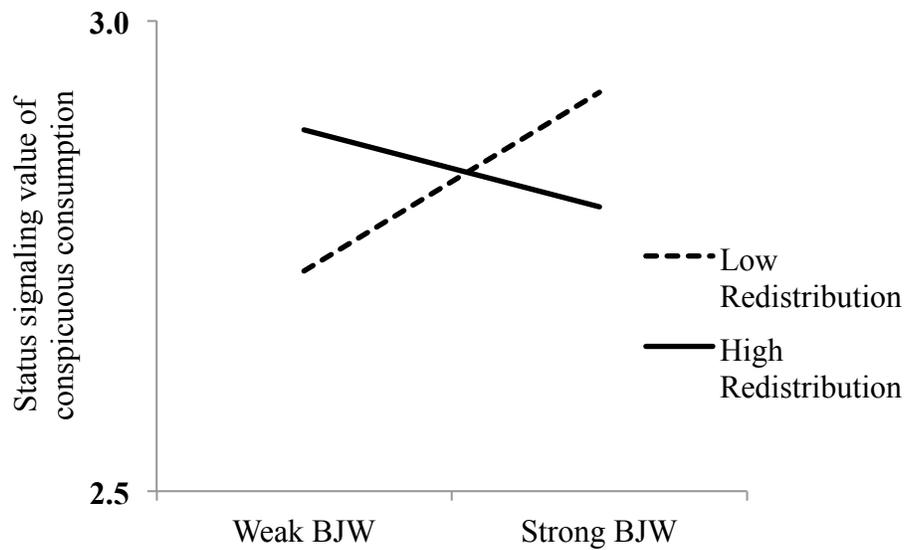


FIGURE 3:
WTP FOR CONSPICUOUS PRODUCTS AS A FUNCTION OF
(UN)JUST WORLD AND COMPENSATION STRUCTURE (STUDY 4)

