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Article

Bling-Bling politics: exposure to status-goods consumption shapes the social policy preferences of the less affluent

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Abstract

Consumer behavior and sociological research have recognized early on the negative externalities of exposure to conspicuous consumption: anxiety, debt and wasteful consumption. This article contributes to political economy by incorporating the costs of exposure to wealth-signaling consumption into the materialist self-interest model of social policy preferences. The argument is that exposure to conspicuous consumption reduces support for social spending and increases demand for lower income taxes. Tax cuts impact purchasing power directly, allowing individuals to keep up with consumption standards and to avoid looking poor by comparison. Two USA-based analyses using fine-grained data on consumption and individual attitudes at the zip code and county level support the argument. Importantly, less-affluent citizens are more likely to prioritize cuts to social spending over tax increases, at higher levels of conspicuous consumption. Additional analyses rule out alternative explanations like upward mobility prospects, local wealth effects and partisan context.

Key words: regional economics, social policy, welfare, redistribution, USA

JEL classification: P16: Political Economy, Welfare State, D120: Luxury Good

1. Introduction

How does exposure to conspicuous consumption in the local environment affect the social policy preferences of the less-affluent? There is some evidence that exposure to wealth signals reduces welfare generosity among affluent Americans (Thal, 2020), yet it is unclear if this effect also applies to less-affluent citizens. On the one hand, exposure to wealth signals might trigger perceptions of inequality and thus increase support for redistribution (Sands

and de Kadt, 2020). On the other hand, conspicuous consumption might reduce support for social spending and taxation, either by generating feelings of sympathy with the rich (Boisjoly *et al.*, 2006), or by creating incentives for longer work-hours at the expense of leisure (Barnes, 2013).

This article addresses this puzzle with a new theoretical argument rooted in the collective action perspective on wealth-signaling consumption (Frank, 1997; Arrow and Dasgupta, 2009). Higher demand for luxury goods shifts the frame of reference for what constitutes a respectable standard of living (Hirsch, 1978; Frank *et al.*, 2014). As a result, people *work every possible angle* in order to keep up and avoid looking poor by comparison: they work longer hours, save less and borrow more (Frank 2013, p. 84). Collectively, citizens would be better off if they spent less on wealth-signaling goods, but individually worse off if they were to drop out of the consumption race, since being perceived as poor by comparison is psychologically uncomfortable and economically costly (Frank, 1997; Arrow and Dasgupta, 2009). Indeed, studies show that exposure to status-goods spending reduces life and income satisfaction (Winkelmann, 2012; Perez-Truglia, 2013). Moreover, there is evidence that people associate relative poverty with lower professional competence and credit worthiness (Nelissen *et al.*, 2011; Coibion *et al.*, 2020). Therefore, the present study argues that less-affluent citizens prioritize immediate purchasing power over long-term wealth in order to alleviate the psychological and economic costs of exposure to conspicuous consumption. This shift in economic priorities translates to a change in social policy preferences, whereby exposure to wealth-signaling consumption in the local environment reduces demand for social spending in return for tax cuts that increase immediate disposable income.

I test the argument in the context of US politics, characterized by decades of economic growth concentrated at the top of the income distribution and stagnation at and below the median (Piketty and Saez, 2006). According to the materialist self-interest framework (Meltzer and Richard, 1981), this specific inequality structure, as well as declining rates of intergenerational mobility (Song *et al.*, 2020) should lead to increased demand for social spending among citizens with incomes below the national median. However, public demand for redistribution has remained rather stable despite decades of rising inequality (Trump, 2021). This article provides a new explanation for this puzzle, by arguing that the effect of being on the losing side of inequality, i.e. below the median, on social policy preferences varies with exposure to status-signaling consumption in the local environment.

The empirical analysis relies on fine-grained data on consumer spending and individual attitudes at the zip code level. I also employ secondary data from administrative records on retail sales matched with individual attitudes at the county level. While the observational character of the data prevents causal interpretations, I find support for an association between conspicuous consumption in the local environment and the effect of income status on social policy preferences.

In line with the materialist self-interest framework of social policy preferences, less-affluent respondents (with incomes below the median) are more likely than the affluent to endorse high levels of social spending. However, support for spending among lower income groups decreases as we move from lower to higher values of conspicuous consumption. Moreover, the less-affluent are more likely than the wealthy to oppose income taxes at the three highest levels of conspicuous consumption. Importantly, when given the choice, less-affluent citizens are more likely to solve a hypothetical budget deficit by cutting social spending than by raising taxes, as we move across counties with higher levels of conspicuous

consumption (conditional on controlling for ideology). Extensive robustness checks rule out prominent alternative explanations like local wealth effects, prospects for upward mobility and partisan context effects.

2. Literature review

Norwegian-American economist and sociologist, Thorstein Veblen, coined the term conspicuous consumption to describe the lavish spending behavior of America's *nouveaux-riches* (1889–2007). However, the term is now widely used in consumer behavior research to denote wealth-signaling expenditures in general, irrespective of the economic status of the consumer (Heffetz, 2011). In political science, conspicuous consumption and its implications for economic policy preferences remain a relatively under-studied, with one notable exception.

By randomly assigning affluent participants to several social media vignettes meant to activate status concerns, Thal (2020) provides evidence that exposure to wealth-signaling consumption increases demand for conservative economic policies among the wealthy. Moreover, laboratory experiments also show that visible economic differences reduce economic cooperation and welfare generosity among participants randomly assigned to high endowment conditions (Nishi *et al.*, 2015).

However, it is not clear if and how exposure to conspicuous consumption influences the social policy preferences of less-affluent citizens, and the little empirical evidence that exists on the topic points in different directions. On the one hand, it is plausible that visible wealth may increase the salience of inequality and thus lead to demand for taxation, as predicted by the conventional material self-interest framework (Meltzer and Richard, 1981). Indeed, Sands and de Kadt's (2020) field experiment in South Africa shows that exposure to a luxury car parked in a poor neighborhood increases demand for taxing millionaires among passers-by.

On the other hand, exposure to conspicuous consumption may reduce demand for redistribution, for example by increasing sympathy for the rich. One field experiment from the USA shows that lower-income students randomly assigned to wealthy roommates were less likely to endorse a tax raise for the rich compared to lower-income students randomly assigned to roommates from similar socio-economic backgrounds (Boisjoly *et al.*, 2006). Barnes (2013) provides yet another mechanism for a negative relationship between consumption and redistribution, arguing that increased work hours due to rising living costs have reduced the utility workers derive from taxation as well as their preferred levels of redistribution.

This article posits an alternative explanation that is rooted in the collective action theory of wealth-signaling consumption. Specifically, in the following section, I argue why exposure to conspicuous consumption motivates individuals to prioritize immediate over long-term wealth.

3. Conspicuous consumption as a collective action problem

Peoples' perceptions of what constitutes an acceptable standard of living depend on the spending levels common in their social context (Bourdieu, 1984–2002; Veblen, 2007; Pugh, 2009). Moreover, one consumer's luxury purchase does not only elevate her own economic

status by signaling purchasing power, but it also lowers other consumers' relative standing in the economic hierarchy (Hirsch, 1978). As a result, individuals must keep up with consumption standards in order to avoid looking poor by comparison.

Scholars describe this spill-over effect as a collective action problem (Frank, 1997; Arrow and Dasgupta, 2009). While individuals would be *jointly* better off if they saved or invested their income instead of spending it on status-goods, failing to keep up with consumption standards might signal lower purchasing power relative to other consumers and thus lead to worse *individual* outcomes. Importantly, scholars argue that the rising levels of conspicuous consumption in advanced democracies have led to unsustainable borrowing and debt (Christen and Morgan, 2005; Carr and Jayadev, 2015). Two related mechanisms explain this *keeping up with the Joneses* effect.

First, exposure to conspicuous consumption activates upward social comparisons that are psychologically uncomfortable. Employing a rich panel data set, Luttmer (2005) reveals that higher earnings of neighbors correlate with lower levels of self-reported happiness, controlling for objective income. Condon and Wichowsky (2020) provide extensive evidence for the negative psychological effects of social comparison, finding that respondents assigned to imagine a social interaction with someone at the top of the socio-economic ladder reported that they would feel inferior, intimidated or anxious in that interaction. Other studies relying on direct measures of conspicuous consumption corroborate these findings. For instance, Winkelmann (2012) shows that, over time, exposure to luxury cars at the municipal level reduces income satisfaction in Switzerland. Relatedly, Perez-Truglia (2013) employs a representative Russian panel to demonstrate that an individual's self-reported well-being increases with her relative clothing consumption, but remains unaffected by her ranking in food consumption (a typical inconspicuous good).

Second, failing to keep up with consumption standards can be economically costly, because purchasing power tends to correlate with human capital in advanced democracies (Moav and Neeman, 2012). For example, Nelissen *et al.* (2011) find that the same, fictitious, applicant was more likely to be perceived as a suitable candidate for a highly qualified job when they were wearing an expensive brand t-shirt compared to when they were wearing an identical t-shirt without the brand logo. Moreover, economists Coibion *et al.* (2020) employ a longitudinal dataset on loan applications to show that lower-income mortgage applicants residing in high-inequality zip codes were more likely to be rejected by their local bank and, when accepted, paid higher interest rates, compared to similar applicants from lower inequality areas. The authors argue that banks rely not only on absolute income, but also on an individual's relative position in the local economy to evaluate credit worthiness.

Therefore, individuals have good reasons to focus on increasing their present economic status at the expense of long-term wealth. Indeed, numerous studies find a robust association between exposure to conspicuous consumption and spending behavior, corroborating the *keeping-up with the Joneses* argument (Friehe and Mechtel, 2014; Bertrand and Morse, 2016; Clingingsmith and Sheremeta, 2018), and this association is also supported by experimental evidence. For instance, a field experiment shows that individuals whose neighbors had won the lottery were more likely to purchase a new car compared to individuals who played, but did not win the lottery (Kuhn *et al.*, 2011).

Finally, the costs of being perceived as relatively poor may be higher for less-affluent citizens who typically lack access to traditional status markers such as occupational prestige or higher education (Wolla and Sullivan, 2017). Thus, less-affluent citizens may be even more

prone to prioritize immediate over long-term wealth compared to wealthier individuals. In a study of rural India, Linssen *et al.* (2011) find that the poor compensate for their relative status by spending more on visible goods, at the expense of necessities and education. Another experimental study provides evidence that respondents assigned to identify with a lower status group were more likely to demand status-signaling products compared to respondents assigned to a high status group identity (Mazzocco *et al.*, 2012). Finally, recent studies in social psychology and behavioral economics research complement these findings by showing that lower subjective status biases economic decision-making towards the present and increases the likelihood of gambling and borrowing (Callan *et al.*, 2011; Payne *et al.*, 2017).

Taken together, these studies indicate that individuals tend to prioritize immediate over long-term wealth in order to alleviate the psychological and economic costs of exposure to status-signaling consumption. The next section develops this argument further, by focusing on the local environment as a channel of exposure to wealth-signaling consumption.

4. The local environment as a channel of exposure to conspicuous consumption

Citizens may come across luxury goods in various contexts, including the workplace and social media, yet the local environment is especially relevant for two main reasons: the importance of local conditions for political behavior and the limited control individuals have over residential choices.

First, numerous studies show that self-reported life satisfaction tends to vary with local income levels (e.g. Luttmer, 2005; Clark *et al.*, 2009). In addition, there is evidence that local sociodemographics characteristics influence political attitudes to a higher extent than national-level characteristics (Huckfeldt *et al.*, 1993; Newman *et al.*, 2015b).

Second, while people tend to report preferences for living closer to similar others, residential choices depend in practice on considerations beyond individual control, most notably proximity to work, housing prices and school quality (Gimpel and Hui, 2017; Mummolo and Nall, 2017). Thus, individuals cannot self-select into their local environment to the same extent that they can choose their social networks or their social media content. Indeed, as Huckfeldt and Sprague (1995) argued in their influential book on local context and voting, once citizens choose a neighborhood, they cannot influence the amount or the type of information they are exposed to after the choice was made.

Regarding the US housing market, scholars argue that citizens belonging to lower status groups in terms of income and race have little control over where they live (Krysan and Crowder, 2017; Wilcox-Archuleta, 2018). In a panel study of the longitudinal effect of income inequality on income segregation in the USA, Reardon and Bischoff (2011) found that income inequality was a strong predictor of segregation only among the wealthy, while segregation among lower- and middle-income groups appears to be a lagged effect of housing policy in the 1990s. To be sure, I do not claim that observational data allow for an unbiased measure of exposure to conspicuous consumption; however, the local environment is arguably less biased compared to other sources of exposure.

Finally, it is important to note that the visibility of expenditures in the local environment is a sufficient condition to activate concerns with increasing immediate wealth. In other words, the mechanism does not depend on face-to-face conversations with one's neighbors, but on how many conspicuous consumers one passes-by in everyday life: the fewer

conspicuous consumers one meets in everyday life, the lower the chance of perceiving a change in living standards and the lower the costs of looking poor by comparison. As such, the costs of exposure are also minimal when the share of conspicuous consumers in the neighborhood is close to zero.

5. Implications of local conspicuous consumption for the economic policy preferences of less-affluent citizens

How does exposure to wealth-signaling consumption in one's neighborhood translate to social policy preferences? The canonical materialist-framework argues that, as the distance between the median and the mean income in a country increases, citizens at and below the median will be more likely to demand redistribution compared to citizens above the median (Meltzer and Richard, 1981; Lupu and Pontusson, 2011; Rueda and Stegmueller, 2019). Thus, in a country with top-driven inequality like the USA, citizens below the median income arguably stand to benefit more from social spending relative to citizens above the median, as their tax burden is comparatively lower.

However, exposure to wealth-signaling consumption alters this costs–benefit calculation for the less-affluent. Because the risk of appearing poor by comparison reduces well-being in the present, citizens value immediate gains in disposable income more than the benefits of social welfare programs. Given that income taxes affect purchasing power directly, exposure to wealth-signaling consumption increases the likelihood that the less-affluent will demand less social welfare spending in return for lower income taxes. To see why this is the case, consider how redistribution occurs in modern welfare states.

If redistribution took the form of direct and immediate cash transfers from the rich to the less-affluent, exposure to conspicuous consumption would increase demand for taxation and social spending. Yet, welfare state scholars agree that the main functions of redistribution in modern welfare states are not direct transfers, but social insurance and investment-type policies (Iversen and Soskice, 2001; Moene and Wallerstein, 2003; Barr, 2020). These policies primarily contribute to equalizing lifetime rather than immediate wealth differences, either by protecting citizens against labor market shocks, or by improving access to better paying jobs through education and training (Alesina and Giuliano, 2011; Rueda and Stegmueller, 2019). Thus, the benefits of social welfare policies in advanced democracies are long term and indirect, whereas the costs of taxation are direct and immediate.

High levels of social spending and low income taxes need not be mutually exclusive, yet in real-world politics, these two policy instruments often figurate on opposite sides (Busemeyer and Garritzmann, 2017; Häusermann *et al.*, 2019). For example, in the USA, Republicans often motivate cuts to social spending with the promise of lower taxes for middle- and lower-income classes. As such, it is reasonable to assume that citizens are aware of this tradeoff when they form economic policy preferences.

That said, some might object that the poor expect tax cuts to increase their purchasing power, since they pay very little tax to begin with. While Americans with an annual income below a certain threshold are not required to file for tax returns,[1] working citizens with zero

1 Refundable tax credits are available both at the federal and the state levels. The largest tax credit programs at the federal level are the Earned Income Tax Credit and the Child Tax Credit (Eissa and Hoynes, 2006). The thresholds in 2020 were: USD 12,400 for single citizens <65 years; USD 18,650 for

tax liability receive a tax refund from the government for the full amount of the credit (Eissa and Hoynes, 2006, p. 77). Thus, even citizens with no tax liability may have an interest in reducing taxes. Moreover, in the majority of states, low-income citizens still pay state and local income taxes, which go to fund social programs provided by state governments. For example, a single filer with an annual income below USD 10,000 living in a low-tax state like Alabama would gain up to USD 463 if state income taxes were eliminated.

To conclude, I expect that at low levels of conspicuous consumption in the local environment, less-affluent citizens will be more likely than affluent citizens to demand inequality-corrective policies that reflect their long-term material interests, just as the canonical materialist framework predicts (Meltzer and Richard, 1981).

Hypothesis 1: At lower levels of conspicuous consumption, citizens below the median income prefer higher levels of social spending compared to citizens above the median income.

Hypothesis 1a: At lower levels of conspicuous consumption, citizens below the median income are more likely to endorse income taxes compared to citizens above the median income.

However, higher shares of conspicuous consumers in the local environment raise the frame of reference for what constitutes an acceptable living standard, raising the cost of being perceived as relatively poor. Thus, at higher levels of conspicuous consumption less-affluent citizens will be more likely to prioritize tax cuts that increase their immediate disposable income over social programs that facilitate long-term wealth accumulation.

Hypothesis 2: At higher levels of conspicuous consumption in the local environment, citizens below the median income prefer lower levels of social spending than do citizens below the median residing in zip codes with lower levels of conspicuous consumption.

Hypothesis 2a: At higher levels of conspicuous consumption in the local environment, citizens below the median income oppose income taxes to a higher extent than do citizens below the median residing in zip codes with lower levels of conspicuous consumption.

6. Research design

The main analysis is based on the 2018 Cooperative Congressional Election Study (CCES; Schaffner *et al.*, 2019), matched with fine-grained data on conspicuous consumption at the zip code level. I also conduct a secondary analysis at the county level, based on the 2012 CCES (Ansolabehere and Schaffner, 2013).[2] Previous research shows that individuals' perceptions of local demographics map well onto census-based measures at these two aggregation levels (Newman *et al.*, 2015a; Velez and Wong, 2017). The two analyses complement each other in three important ways. First, they strengthen operationalization validity by employing two different measures of conspicuous consumption: a demand-based measure representing household spending on visible goods at the zip code level and a supply-based measure computed from administrative sales records at the county level (lowest aggregation level available). Second, the 2012 CCES includes a survey item that elicits preferences for public spending *relative* to preferences for tax increases, thus providing a more conservative

heads of household <65 years; USD 24,800 for married couples <65 years. The thresholds increase for citizens >65 years and qualifying widowers (Internal Revenue Service, 2019).

2 Both the samples were obtained online by YouGov using sample matching, a method for selection as-good-as representative samples from nonrandomly selected pools of respondents.

test for the argument. Third, the secondary analysis provides further evidence that the results are not idiosyncratic to a particular dataset.

6.1 Operationalization

This section presents the operationalization of the independent and dependent variables employed in the main and secondary analyses (see Supplementary Appendix for exact question wording).

Income

The independent variable at the individual level is income status relative to the state-median, because the questions about social spending specifically refer to state governments (as opposed to the federal government). In addition, the structure of inequality differs significantly across states, and thus the benefits from state social programs relative to income taxes depend on an individual's position in the state-economic distribution. For example, a household income corresponding to the federal median in 2018 (USD 61,937) would place a married couple in the upper-middle class in Mississippi, where half of the population earns less than USD 44,717. However, the same household would end up in the lower-middle class in Maryland where the median income in 2018 was as high as USD 83,242 (Guzman, 2019).

Conspicuous consumption

The contextual-level independent variable, conspicuous consumption, represents spending on clothes, shoes, jewelry and cars. Consumer behavior research identifies these categories as highly visible relative to other consumer goods such as insurance or food (Heffetz, 2011, 2012).

In the main analysis, conspicuous consumption is measured at the zip code level, based on estimates of consumer demand provided by the marketing company Esri Consumer Spending (ESRI, 2019).[3] Because it would be extremely difficult to survey actual consumer spending at such a fine-grained level of analysis, Esri employs a conditional probability model that attributes the spending behavior of households surveyed in the 2016 and 2017 Consumer Expenditure (CEX) surveys to all households with similar sociodemographic characteristics at the zip code level.[4] In addition, it links the CEX surveys with market segmentation data in order to increase estimation efficiency for small market areas such as zip codes and census tract.[5]

The resulting index represents the share of individuals having spent more than a certain amount of USD on each good category over the past 12 months relative to the total zip code population (rescaled so that min = 0 and max = 1). The spending benchmarks are fixed and

3 The variables are available on Esri's platform for geo-spatial analysis, ArcGis, under a research license agreement.

4 The CEX data are provided by the US Bureau of Labour Statistics and represents the most detailed household expenditure information obtained from both interview surveys and diary surveys. The Diary Surveys of the CEX program record small, daily purchases for two consecutive week long periods. The Interview Survey component collects expenditure data from consumer units from five interviews conducted every 3 months.

5 Esri's Tapestry™ Segmentation Data.

vary by the type of good. This means that, except for luxury cars and fine jewelry, it is impossible to determine if a respondent in the original CEX surveys has spent the reported sum on status-goods or on many, no-brand clothes and shoes. I categorize as conspicuous consumption clothes expenditures over USD 1000, shoes expenditures over USD 250 and jewelry expenditures over USD 100. For each consumption category, the remaining benchmarks were relegated to a *regular consumption* index that serves as a placebo check for the main models (see Supplementary Table A13 for details).

Importantly, the spending benchmarks for conspicuous consumption can only reliably capture status-signaling consumption for less-affluent Americans, but not the rich. According to the Bureau of Labor Statistics, the two lowest income quintiles spent less than USD 1000 on apparel in 2018 (the time of the data collection), whereas the two highest income quintiles spent more than USD 2500 on the same type of goods. Thus, for the affluent in the sample, the conspicuous consumption variable captures the degree of exposure to people who spend about the same or less than they do on status-goods. For the less-affluent, the variable represents the degree of exposure to people who spend significantly more on conspicuous goods than they do.

In the secondary analysis, the conspicuous consumption measure is based on administrative sales records of the number of establishments and sales volume by detailed industry classification at the county level (lowest level of aggregation) available in the 2012 Economic Census. The resulting index represents the total number of establishments selling shoes, accessories and jewelry, clothes and automobiles, multiplied by the sales volume in each category.

Dependent variables

In the main analysis using the 2018 CCES, I measure support for social spending by combining three Likert scales of preferences for increased state level spending on welfare, health care and education (Cronbach's $\alpha = 0.78$). The index has been rescaled from 0 to 1. These three spending categories represent the two main pillars of redistribution in modern welfare states: social insurance and social investment (Häusermann, 2018; Barr, 2020). Importantly, through their insurance and investment functions, these policies provide long-term benefits to lifetime income.

Each question starts with the sentence: *State legislatures must make choices when making spending decisions on important state programs*. Thus, while these survey items are not ideal because they do not ask about spending preferences in relation to taxation, respondents are at least primed to think about budget constraints when indicating their preferred levels of spending on each social program.

I measure the desire to increase one's disposable income via tax cuts with two binary variables that elicit support for (a) a tax reduction of 3% for all incomes below USD 500,000 and (b) a proposal to eliminate and prohibit all income taxes in the state. To reduce noise, I combined these two items into a new variable that takes value 1 if respondents agree with both proposals, 0.5 if respondents agree with at least one proposal, and 0 if they reject both proposals.

In the secondary analysis, I measure attitudes toward social programs in relation to income taxes (2012 CCES). Specifically, respondents are asked whether they would like their state to balance a hypothetical budget deficit by raising taxes on income and sales or by cutting spending on education, health care, welfare and road construction. The variable ranges

from 0 (the budget should be balanced through tax increases exclusively) to 100 (the budget should be balanced through spending cuts exclusively).

6.2 Main analysis

Model specification

Given the hierarchical nature of the data and the expectation that the effect of income on economic policy preferences varies with exposure to conspicuous consumption in the local environment, a multi-level random slope model is appropriate (Luke, 2011). The intra-class correlation coefficient (ICC) is 0.06 for attitudes toward social spending and 0.03 for attitudes toward taxation, indicating that the variation in the dependent variables attributed to the grouping variable (zip codes) is relatively small. However, ignoring the hierarchical level of the data would increase the Type I error rate considerably, despite an ICC as low as 0.01 (Huang, 2018). Thus, I follow best practice recommendations and account for the hierarchical structure of the data in the main models.[6] Additional models with county and state fixed effects show that the results are not sensitive to this particular statistical choice (Supplementary Table A1).

Control variables

All models include individual- and contextual-level controls that may causally relate to both income and exposure to conspicuous consumption, as well as to economic policy preferences. At the individual level, I control for standard sociodemographic characteristics like age, gender, race, college education, ideology and employment status, which may affect both an individual's income and her need for social insurance and social investment programs (Iversen and Soskice, 2001; Moene and Wallerstein, 2003).

At the contextual level, I control for population density, racial composition and median home value. High population density may influence both an individual's exposure to conspicuous consumption (higher visibility) and her access to a more dynamic labor market, which in turn may reduce the need for social insurance. Furthermore, the racial composition of the neighborhood influences home values in the USA (Howell and Korver-Glenn, 2018), thus residing in a predominantly white area may increase individual wealth at the same time as it increases welfare generosity toward the members of one's racial group. Finally, I control for median home value as a proxy for overall local wealth.

6.3 Results

The analysis begins with a test of the conventional argument that, all else equal, citizens with an income below their state median will be more likely to endorse high levels of social spending and income taxes compared to the wealthy. I estimate two linear random slope models in which the slope of income status varies randomly across zip codes (Models 1 and 2, Table 1).

Holding all else constant, less-affluent respondents are more likely to prefer higher levels of social spending compared to respondents with an income above the median ($\beta = 0.03$, $P < 0.001$, Model 1, Table 1). Moreover, I find that, *ceteris paribus*, this group is also less

6 The Supplementary Material includes a systematic multilevel analysis with diagnostic tests indicating that the most complex model, with random effects and a cross-level interaction term, is the appropriate choice (Supplementary Tables S15 and S16).

Table 1 The effect of income status on demand for increased social spending and lower income taxes across the range of conspicuous consumption.

Independent variables	H1: Social spending index		H2: Opposition to taxes	
	Model 1	Model 2	Model 3	Model 4
Income below state median	0.034***	0.064***	–0.011***	–0.085***
	(0.002)	(0.008)	(0.003)	(0.014)
Conspicuous consumption	0.001	0.029	0.008	–0.062*
	(0.014)	(0.016)	(0.023)	(0.026)
Income × CC		–0.070***		0.171***
		(0.018)		(0.031)
Level-1 controls				
Age	0.001*	0.001*	0.003***	0.003***
	(0.000)	(0.000)	(0.001)	(0.001)
Age^2	–0.000***	–0.000**	–0.000***	–0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
College degree	–0.003	–0.003	–0.047***	–0.047***
	(0.002)	(0.002)	(0.003)	(0.003)
Female	0.033***	0.033***	–0.005	–0.005
	(0.002)	(0.002)	(0.003)	(0.003)
White	–0.027***	–0.027***	–0.014***	—0.013***
	(0.002)	(0.002)	(0.004)	(0.004)
Employed	–0.025***	–0.025***	0.017***	0.017***
	(0.002)	(0.002)	(0.004)	(0.004)
Liberal	0.137***	0.138***	–0.099***	–0.100***
	(0.004)	(0.004)	(0.006)	(0.006)
Moderate	–0.003	–0.003	0.012	0.011
	(0.004)	(0.004)	(0.006)	(0.006)
Conservative	–0.163***	–0.162***	0.120***	0.119***
	(0.004)	(0.004)	(0.007)	(0.007)
Level-2 controls				
Population density	0.000***	0.000***	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Zip code maj. white	–0.016***	–0.016***	0.010*	0.009*
	(0.003)	(0.003)	(0.004)	(0.004)
Median home value	–0.000***	–0.000***	–0.000***	–0.000***
	(0.000)	(0.000)	(0.000)	(0.000)
Constant	0.682***	0.670***	0.588***	0.619***
	(0.011)	(0.011)	(0.017)	(0.018)
Random effects				
Variance (Income)	0.001***	0.001***	0.003***	0.003***
	(0.000)	(0.000)	(0.001)	(0.001)
Variance (Intercept)	0.001***	0.001***	0.001***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)
Variance (Residual)	0.036***	0.036***	0.116***	0.116***
	(0.000)	(0.000)	(0.001)	(0.001)

continued

Table 1 *Continued*

Independent variables	H1: Social spending index		H2: Opposition to taxes	
	Model 1	Model 2	Model 3	Model 4
Observations (L-1)	44,145	44,145	50,773	50,773
Observations (L-2)	13,673	13,673	14,358	14,358

Source: Based on the 2018 CCES.
Notes: All models are linear multi-level models with random intercepts and random slopes. Standard errors are in parentheses.
$^{*}P < 0.05$.
$^{**}P < 0.01$.
$^{***}P < 0.001$.

likely than affluent respondents to endorse cuts to income taxes ($\beta = -0.012$, $P < 0.001$, Model 2, Table 1). Thus, when conspicuous consumption in the local environment is zero, the results corroborate the expectations of canonical political economy models, indicating that individuals support the social policies they stand to benefit from (Meltzer and Richard, 1981).

Next, I examine whether exposure to conspicuous consumption in the local environment shapes the relationship between income status and economic policy preferences. I estimate two linear cross-level interaction models (Models 3 and 4, Table 1) in which the slope of income varies with values of conspicuous consumption across zip codes. Starting with attitudes toward social spending, the negative and statistically significant interaction term in Model 3 indicates that the positive effect of having an income below the state median on attitudes toward social spending when conspicuous consumption is zero decreases by approximately one percentage point with every additional wealth-signaling consumer in the zip code (relative to the zip code population).

Figure 1 illustrates this interaction effect and shows that, at higher levels of conspicuous consumption, the social spending preferences of the affluent and the less-affluent converge. In line with the argument advanced in this article, respondents with an income below their state median are 0.7 percentage points less likely to endorse generous welfare spending the higher the ratio of conspicuous consumers in their local environment is. Moreover, affluent respondents are more likely to endorse welfare spending at higher levels of local conspicuous consumption (although the effect does not pass the conventional significance level of 0.05).

Turning now to attitudes toward income taxes, for each additional conspicuous consumer (relative to the zip code population), the likelihood of less-affluent respondents of opposing income taxes increases by 2 percentage points (Model 4, Table 1). Again, having an income above the state median correlates with a lower tendency to reject income taxes at higher values of conspicuous consumption (a decrease of 6 percentage points, $P < 0.05$). Figure 2 suggests that in the zip codes with the highest share of wealth-signaling consumers, less-affluent citizens are indeed more likely than the affluent to oppose income taxes.

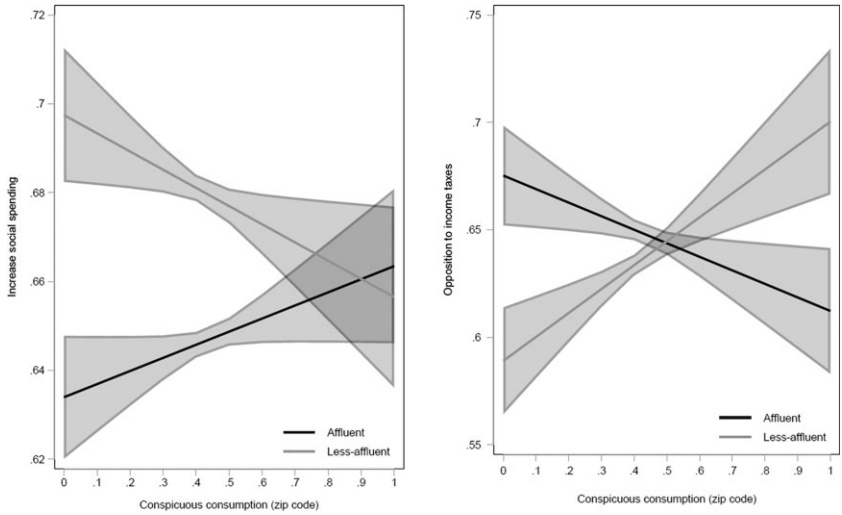

Figure 1 The predicted level of income status on support for social spending and opposition to income taxes across conspicuous consumption.

Notes: Adjusted predictions with 95% confidence intervals calculated from Models 2 and 4 in Table 1.

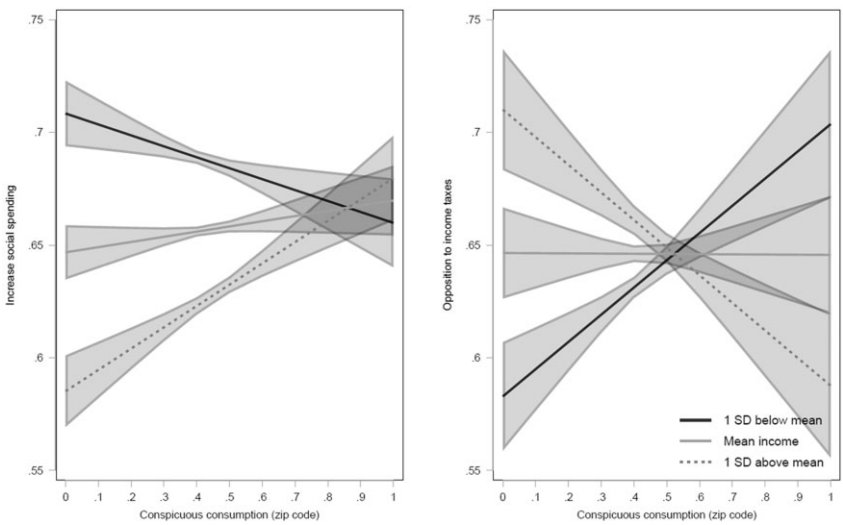

Figure 2 The predicted level of (continuous) income on support for social spending and opposition to income taxes across the range of conspicuous consumption.

Notes: Adjusted predictions with 95% confidence intervals calculated from Models 1 and 2 in Supplementary Table A2.

Next, I examine if less-affluent respondents with relatively high incomes drive the results by estimating the main models with continuous income as the main individual-level independent variable. This group might be unaware of its objective income position and thus perceive itself to be on the 'winning-side' of inequality when exposed to relative wealth signals in their local environment. Figure 2 illustrates the effect of exposure to conspicuous consumption on the two outcome variables at one, and two standard deviations below and above the mean income. Lower-income respondents are more likely than the wealthy to support a generous welfare state, yet support declines at higher values of consumption, and this tendency is stronger among the poorest respondents, rather than among those closer to the mean and at the mean, which is in line with the argument advanced in this article. As for attitudes toward income taxes, the mean and the two lowest income groups are more likely than the two highest income groups to endorse cuts to income taxes, corroborating the argument that concerns with immediate wealth are more acute among lower-income groups.

Finally, the conditional finding for the affluent requires an additional explanation, since it seems to contradict previous research showing that exposure to wealth increases economic conservatism among the affluent (Thal, 2020). However, recall that, for the wealthiest respondents, the conspicuous consumption index represents the share of zip code residents who spend just as much or less than they do on status-goods. What we are observing then, is an increasingly positive effect on economic liberalism among the wealthy, as we move from signals of relative poverty (e.g. no one in the zip code can afford to spend more than USD 2000 on clothing per year) to signals of relative equality (e.g. everyone in the zip code can afford to spend more than USD 2000 on clothing per year). The effect is consistent with previous research showing that affluent Americans are more inclined to support redistribution when exposed to similar others compared to when exposed to poverty (Côté *et al.*, 2015; Sands, 2017). Repeated encounters with similar others in everyday life may lead the wealthy to believe that the average American looks just like them (Galesic *et al.*, 2012). Thus, the affluent may be more likely to pay taxes in order to finance public goods if they believe that the benefits will go to similar others (Alesina *et al.*, 1999).

6.4 Secondary analysis

So far, the results indicate that conspicuous consumption influences the relationship between income and social policy preferences among the less-affluent. However, because the two dependent variables measure attitudes toward taxes and social spending in a vacuum, it remains unclear whether less-affluent citizens exposed to higher levels of status-goods consumption are willing to discount the long-term benefits of social insurance and education in favor of short-term increases in disposable income via tax cuts. Perhaps lower-income citizens favor cuts to income taxes only to the extent that these do not threaten the welfare state, as they know it.

To address this concern, I now turn to a secondary data source that includes an item asking respondents to indicate whether they would like their state government to solve a hypothetical budget deficit by raising taxes on income or sales or by cutting spending on education, health care, welfare and road construction (2012 CCES). Because the county is the lowest level of aggregation for status-goods supply (number of establishments selling apparel, cars, and accessories, and sales volume), I am not able to model the visibility of conspicuous consumption in the local environment. Thus, I estimate linear regression models

Table 2 The effect of income status on preferences over cuts to public spending versus tax increases across the range of conspicuous consumption.

	Solve deficit by cutting public spending (max = 100) versus raising income and sales taxes (min = 0)	
	Model 1	Model 2
Income below state median	–1.496***	–1.570***
	(0.268)	(0.275)
Conspicuous consumption	0.008	–0.001
	(0.006)	(0.007)
Income × CC		0.018**
		(0.007)
Female	–1.647***	–1.644***
	(0.251)	(0.251)
Age	0.035	0.035
	(0.049)	(0.049)
Age^2	–0.001	–0.001
	(0.000)	(0.000)
College degree	–1.438***	–1.437***
	(0.278)	(0.278)
White	0.818*	0.825*
	(0.384)	(0.385)
Liberal	–16.876***	–16.876***
	(0.713)	(0.713)
Moderate	–2.013**	–2.013**
	(0.670)	(0.670)
Conservative	18.179***	18.178***
	(0.678)	(0.678)
Employed	2.022***	2.023***
	(0.271)	(0.271)
Constant	57.469***	57.485***
	(1.375)	(1.376)
Observations	34,422	34,422

Source: Based on the 2012 CCES.
Notes:
The models are linear regressions with standard errors clustered at the county level. Standard errors are in parentheses.
*$P < 0.05$.
**$P < 0.01$.
***$P < 0.001$.

with standard errors clustered by county (Table 2). The results show that, all else equal, respondents with incomes below their state median are less likely to favor cuts to public spending over income and sales tax increases ($\beta = -0.67$, $P < 0.05$). Yet, in line with my argument, I find that exposure to conspicuous consumption reverses this association and increases the likelihood of prioritizing cuts to social welfare over tax increases among the less-affluent ($\beta = 0.01$, $P < 0.01$).

6.5 Alternative explanations

In this section, I go back to the fine-grained 2018 CCES data and evaluate several prominent alternative theories that could explain the observed patterns of association between income, consumption and economic policy preferences.

The prospects for upward mobility (Poum)-hypothesis

A prominent strand of research in political economy holds that individuals adjust their social policy preferences not only in response to their relative economic status, but also in anticipation of future income (Benabou and Ok, 2001; Alesina and Giuliano, 2011; Rueda and Stegmueller, 2019). Accordingly, the less-affluent will oppose higher taxes if they expect their income to increase in the future. Because the 2018 CCES does not measure expected income, I rely on three different proxies to account for this alternative hypothesis: personal and local experiences of retrospective social mobility, and stock ownership.

First, I show that the effect of income status and conspicuous consumption on attitudes toward taxation and social spending remains substantially unchanged both when controlling for recent improvements in respondents' family income (Figure 3, Models 1 and 2) and when controlling for local intergenerational mobility among low-income adults at the county level (Figure 3, Models 3 and 4).[7] Second, I account for the possibility that additional sources of wealth, i.e. stocks, shape perceptions of expected income. In a stable economy, stockowners can reasonably expect that their wealth will increase in the future, and thus adjust their preferred tax rates in anticipation. Models 5 and 6 (Figure 3) show that the results do not change substantially when restricting the less-affluent category to respondents who reported that they did not own any stocks.

Conspicuous consumption is endogenous to local wealth

Previous research demonstrates that objective income differences do not closely mirror differences in observable consumption over time (Attanasio and Pistaferri, 2014; Aguiar and Bils, 2015). On the one hand, the rich may choose to save, invest or hide their wealth instead of purchasing more status-goods. On the other hand, the poor may consume all their savings or borrow more in order to keep up with rising consumption standards (Christen and Morgan, 2005; Carr and Jayadev, 2015; Banuri and Nguyen, 2020). Still, some may doubt that there is any variation when it comes to the exposure of the less-affluent to conspicuous consumption and argue that outlier lower-income citizens residing in affluent neighborhoods drive the results.

Figure 4 represents the distribution of conspicuous consumption values by income status relative to state median. Unsurprisingly, zip codes with lower levels of conspicuous consumption have a higher share of respondents with an income below their state median and vice versa. Yet, it is also clear that both income groups are represented at all levels of conspicuous consumption. Moreover, Supplementary Figure A1 plots the distribution of conspicuous consumption across other important sociodemographic variables that tend to

7 The estimates of inter-generational mobility come from the Recent Trends in Intergenerational Mobility dataset (Chetty *et al.*, 2014). The variable captures the rank in the national income distribution at the age of 26 years for children born in families at the bottom 25th percentile at the county level (lowest available aggregation level).

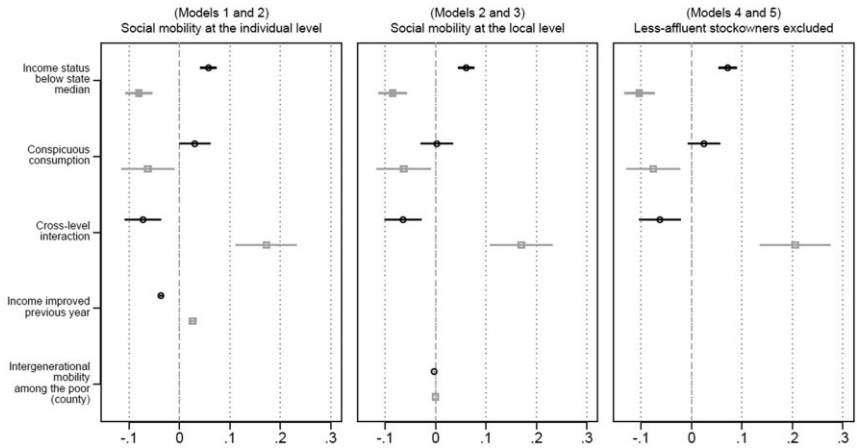

Figure 3 The effect of income status and conspicuous consumption on support for social spending and opposition to income taxes, controlling for upward mobility prospects.

Notes: The figure represents coefficients of linear regression models with random intercepts and random slopes (See Supplementary Table A3). All models include the full set of control variables (Table 1). The horizontal bars represent 95% confidence intervals.

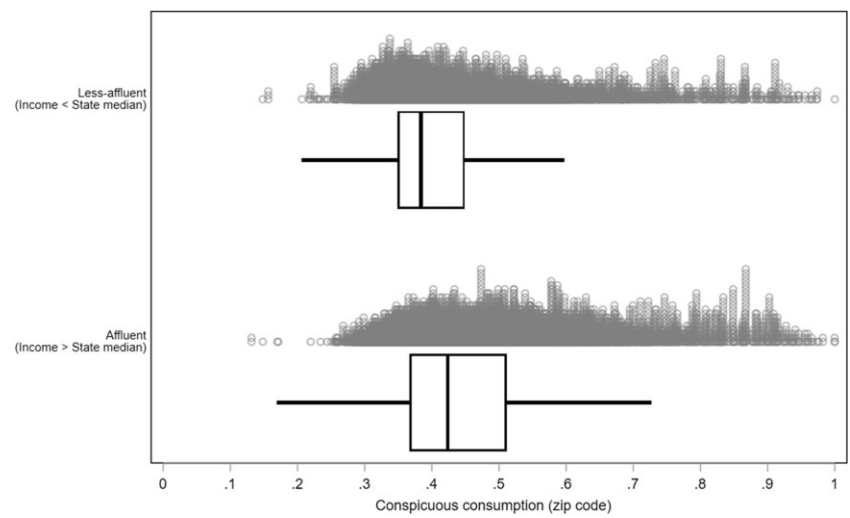

Figure 4 The distribution of conspicuous consumption by income status relative to the state median.

Notes: The boxes represent the interquartile range of exposure to conspicuous consumption by income status. The dotplots represent the dispersion of conspicuous consumption by income status.

correlate with objective wealth (gender, college degree, race and ideology) and shows that these characteristics are not overly represented in zip codes with higher demand for conspicuous consumption.

Importantly, the main models already control for median home value as a proxy for local wealth, yet the results are also robust to employing alternative operationalizations: median household income (Models 1 and 2, Figure 5), as well as the gini coefficient, and the share of affluent residents (Models 1–4, Supplementary Table A5). Moreover, I evaluate whether the observed effect of conspicuous consumption and income status on social policy preferences is endogenous to house price appreciation. Previous research has shown that house price appreciation reduces demand for social insurance and redistribution through its positive effect on permanent income and the ability of individuals to self-insure (Ansell, 2014). At the same time, rise in house prices may motivate citizens to take up home equity loans to finance other expensive purchases, thus driving up the level of conspicuous consumption in the zip code. Models 3 and 4 (Figure 5) reveal that the results are robust to this alternative explanation.[8]

Finally, conspicuous consumption may lead to a perception that the economy is prosperous and thus influence individuals' perceived need for social welfare spending and taxation. Models 5 and 6 (Figure 5) indicate that the results hold when controlling for positive retrospective evaluations of the economy.

Conspicuous consumption as a proxy for local partisanship context

There is some evidence that wealth-signaling consumption might correlate with conservative values, since conservatives may be more sensitive to maintaining social status compared to liberals (Kim *et al.*, 2018). Then, the observed difference in the preferences of less-affluent citizens at lower and higher levels of conspicuous consumption might be the result of local partisan context, manifesting itself either via social influence effects or via information flow effects (Gimpel and Hui, 2017). Models 1 and 2 (Figure 6) rule out this alternative explanation by showing that the results do not change substantially when controlling for the Republican vote share in the 2016 presidential election.[9]

As a second test for the partisan context hypothesis, I examine whether the interaction term between conspicuous consumption and income status predicts support for conservative economic policies that increase disposable income only for the rich (a tax cut for incomes above USD 500,000). If local partisan context drives the results, less-affluent citizens should also endorse economic policies supported by the Republican Party that leave their disposable income unaffected. Model 3 (Figure 6) indicates that the effect of the interaction term between income status and conspicuous consumption on support for a tax cut that benefits the rich exclusively does not reach the conventional level of statistical significance, thus contradicting the local partisanship context hypothesis.

8 I estimate the change in house price developments across metropolitan areas (MSA) and non-metro areas from 2017 to 2018 by taking the difference in the housing price index (HPI) provided by the Federal Housing Administration for 2017 and 2018. This index reflects changes in the value of single-family homes from all transactions (sales and refinancing). To reflect real appreciation, I adjust the change in HPI to regional price parity indices. The data and procedure are the same as in Ansell (2014), except that I adjusted the nominal HPI to regional price parity instead of the consumer price index, because the former is specifically suited for cross-sectional comparisons of real income across US geographies and the latter is more suited for inflation adjustment over time.

9 The source for the county-level vote share data: MIT Election Data and Science Lab, 2018, 'U.S. President Precinct-Level Returns 2016', Harvard Dataverse.

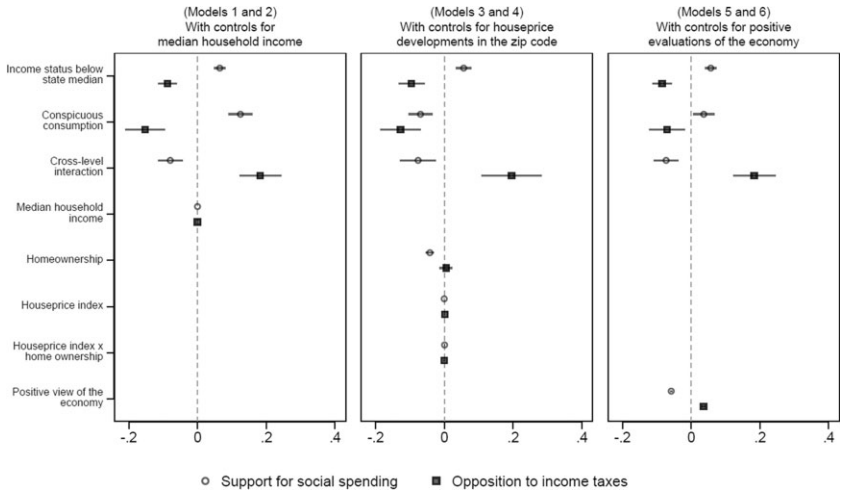

Figure 5 The effect of income status and conspicuous consumption on support for social spending and opposition to income taxes, controlling for local wealth effects.

Notes: The figure represents coefficients of linear regression models with random intercepts and random slopes (See Supplementary Table A4). All models include the full set of control variables (Table 1). The horizontal bars represent 95% confidence intervals.

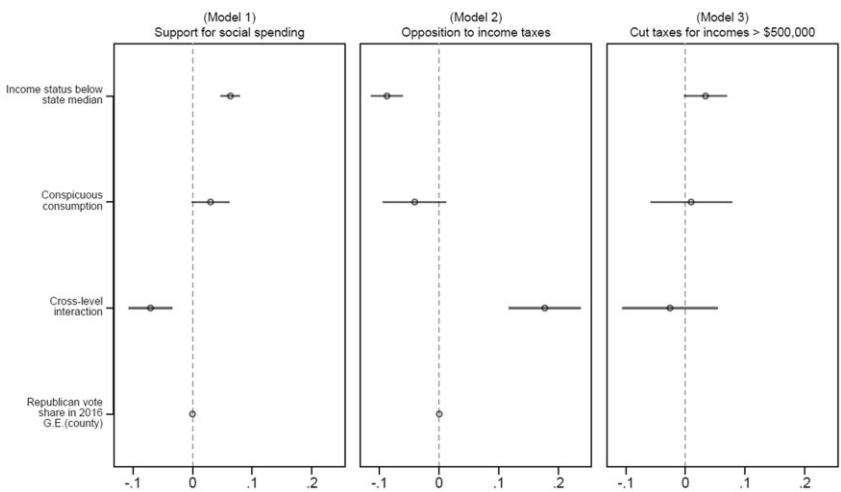

Figure 6 The effect of income status and conspicuous consumption on support for social spending and opposition to income taxes, controlling for local partisanship effects.

Notes: The figure represents coefficients of linear regression models with random intercepts and random slopes (See Supplementary Table A6). All models include the full set of control variables (Table 1). The horizontal bars represent 95% confidence intervals.

Ideology as a post-treatment variable

All models control for self-reported ideology, as political belief systems can influence both attitudes toward social spending and exposure to conspicuous consumption, via residential self-selection (Reardon and Bischoff, 2011; Gimpel and Hui, 2017). However, ideology might also mediate the effect of income or status-goods consumption on social policy preferences, and controlling for it would bias the results (Angrist and Pischke, 2008; Cinelli *et al.*, 2020). Thus, I evaluate whether the results presented in the main models are sensitive to controlling for ideology (Supplementary Table A7).

The expected change in the relationship between being less-affluent and opposing income taxes for a 1-unit increase in the share of conspicuous consumers in the zip code is the same, regardless if one controls for ideology or not ($\beta = 0.17$, $P < 0.001$). However, the size of coefficient of conspicuous consumption for the affluent is more than twice as large in the model excluding ideology. Supplementary Figure A3 reveals that the negative effect of conspicuous consumption on the likelihood of opposing income taxes is more pronounced for the affluent, and slightly weaker for the less-affluent, compared to the main model which controls for ideology. When it comes to attitudes toward social spending, the effect of conspicuous consumption when income status is null becomes significant at the conventional level in the model excluding ideology. Supplementary Figure A4 reveals that less-affluent respondents become more supportive of social spending at higher levels of conspicuous consumption. Furthermore, excluding ideology from the model in the secondary analysis yields a similar effect, with less-affluent respondents being less likely to endorse cuts in public spending versus tax increases at higher levels of conspicuous consumption in the county (Supplementary Figure A5).

If the models excluding ideology were correct, then the results would corroborate previous research arguing that exposure to relative wealth increases demand for redistribution among the poor by rendering inequality salient. However, because ideology and partisanship are standard control variables in this literature, it is unclear whether the results from the models excluding ideology can be compared with previous research.[10] At the same time, this contradictory finding need not invalidate the immediate wealth-maximization argument, because the initial positive effect of conspicuous consumption on the likelihood of opposing taxation among the less-affluent remains. This suggests that, whereas respondents may become more supportive of social spending at higher levels of conspicuous consumption, they are also less willing to bear the costs of redistribution, which is in line with the immediate wealth-maximization argument advanced in this article. Nonetheless, both the models excluding and including ideology are theoretically justifiable. Therefore, the hypothesis that conspicuous consumption reduces support for social spending among the less-affluent is supported conditionally on the assumption that ideology is a pre-treatment variable.

Additional robustness checks

While the data do not allow me to rule out self-selection completely, I show that the results are not driven by lower income respondents with a taste for luxury goods that might have moved to neighborhoods with higher conspicuous consumption and vice versa (Models 1 and 2, Supplementary Table A8). The results are also robust to excluding respondents with

10 For example, Brown-Iannuzzi *et al.* (2015), Minkoff and Lyons (2019), Newman (2020) control for either ideology or party identification, or both.

children under 18 years, as family size imposes further budget constraints that could lead to a misrepresentation of affluence in the sample (Models 3 and 4, Supplementary Table A8).

Moreover, I conduct two placebo tests by replacing the conspicuous consumption variable with a proxy for regular consumption, based on all the spending categories that were excluded from the index (Models 5 and 6, Supplementary Table A8). As expected, the interaction between income and nonconspicuous consumption is statistically significant for social spending attitudes. With regard to attitudes toward income taxes, the interaction is statistically significant at the conventional level, though an analysis of the interaction reveals that affluent respondents drive the effect, while the attitudes of less-affluent respondents remain stable across values of regular consumption (Supplementary Figure A3).

Furthermore, the sign and significance of the interaction between conspicuous consumption and income status on each of the constitutive elements of the two dependent variables are consistent with the main models in Table 1, with the exception of support for education spending (Supplementary Tables A9 and A10). In this model, the coefficient of the interaction term is positive, but does not reach the conventional significance level. Compared to welfare and health care, spending on education is highly popular with the respondents of the 2018 CCES, which is consistent with previous research on American public opinion on education and equal opportunities (McCall and Kenworthy, 2009).

Additionally, I find no evidence for nonlinearity after including a squared income term to the interaction with conspicuous consumption (Supplementary Table A11). Finally, the results remain virtually unchanged when controlling for tax progressivity at the state level (Supplementary Table A12), alleviating concerns that tax and spending preferences may be endogenous to the existing tax structure.

7. Conclusion

The results from two analyses with alternative data sources indicate that exposure to conspicuous consumption in the local environment correlates with lower support for social spending (conditional on ideology being held constant), and higher opposition to income taxes among less-affluent citizens. Importantly, when given the choice between reducing a hypothetical budget deficit by raising taxes or by cutting social spending, less-affluent respondents residing in counties with higher levels of conspicuous consumption tend to choose the latter solution over the former (conditional on controlling for ideology). The extensive robustness analysis provides evidence that the results are robust to prominent alternative explanations such as the upward mobility prospects hypothesis, local wealth inequality or partisan context effects.

This study contributes to the literature on the effect of local economic conditions on economic policy preferences (Ansolabehere *et al.*, 2014; Newman *et al.*, 2015b; Minkoff and Lyons, 2019; Newman 2020). In addition, it adds to a growing research field dedicated to understanding how exposure to visible wealth shapes support for redistribution (Nishi *et al.*, 2015; Sands, 2017; Sands and de Kadt, 2020). Yet, the results also show that the relationship between exposure to displays of wealth and support for redistribution is more complicated than conventional wisdom would imply. Rather than an incentive to mobilize against inequality, the psychological and economic costs of relative poverty represent a collective action dilemma for the less affluent. If those who stand to benefit most from redistribution prioritize tax cuts over social spending, exposure to relative wealth could erode the state's

capacity to reduce inequality in the long run. Furthermore, it is unlikely that the collective action dilemma of conspicuous consumption is unique to the US context, given that the evidence for the negative costs of exposure to wealth-signaling goods is also based on data from European advanced democracies. Future research should examine how the relationship between exposure to conspicuous consumption and social policy preferences interacts with different welfare regime types.

Supplementary material

Supplementary material is available at *SOCECO Journal* online.

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