Perceived Economic Mobility: Measurement, Validity, and Implication For Consumer Wellbeing and Materialism

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This research develops a scale to measure Perceived Economic Mobility (PEM), defined as the individual perception about the extent to which society provides fair chances for success through hard work. Six studies provided evidence of validity and demonstrated PEM’s role as a predictor and moderator in influencing consumer wellbeing.

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EXTENDED ABSTRACT
Recent statistics have shown that the US is lagging in relative mobility, in that about half (50 percent) of parental earnings advantages are passed onto children (Corak 2013). However, surprisingly little attention has been paid to understanding how it influences consumers’ decisions and lives. We suggest that perception about economic mobility has influence on a wide range of consumption decisions (e.g., status consumption, self-regulation) as well as consumer subjective wellbeing. This topic is just started to be investigated in economics, and broad range of inquiries are needed in marketing and consumer research. In this research, we developed Perceived Economic Mobility Scale (PEMS), and evaluated the validity of the scale. Using the PEMS, we also examined that perceived economic mobility affects consumer wellbeing as a predictor and a moderator which mitigates the negative impact of materialism.

Scale Development and Validity Tests
The PEMS assesses individual perception about the extent to which society allows people to move up or down the economic ladder in a relative standing. We suggest that the PEMS encompasses two related dimensions: (1) how closely connected individual input to financial consequences (Meritocracy), and (2) how fair the system works especially between for the advantaged and the disadvantaged (Fairness of the system).

In Study 1a (112 undergraduate students) and Study 1b (509 adults in MTurk), we conducted exploratory factor analysis with 48 potential items, and finalized the scale with eight items that all loaded on the two hypothesized dimensions. Table 1 depicts final eight items and their factor loadings. It explains 72% of the total variance. Confirmatory factor analysis also showed satisfactory model-fit ($\chi^2 (19) = 117.48; \text{NFI} = .97, \text{IFI} = .98, \text{CFI} = .98, \text{SRMR} = .04$). The PEMS was not correlated with age, gender, and education, but positively correlated with household income ($r = .18, p < .01$). In Study 2 (46 undergraduate students), we also showed high test-retest reliability ($r = .78, p < .01$).

In Study 3 (101 adults in MTurk), we tested nomological validity. The PEMS was higher among people who experienced intergenerational upward mobility (vs. downward mobility) and positive income change during the last 10 years (vs. negative income change, no change). The PEMS was also positively correlated with sense of control over financial outcomes. Furthermore, people with high PEMS believed that the income difference in the US is not too big, and they were less likely to support government’s redistribution policies.

In Study 4 (157 adults in MTurk) had two goals. First, we established discriminant validity of the PEMS by comparing the scale to Protestant Work Ethics (PWE; Mirels and Garrett 1971) and Dispositional Optimism (DO; Scheier, Carver, and Bridges 1994), both of which have some conceptual overlap. Second, we tested predictive validity of the PEMS by demonstrating that the PEMS predicts consumer subjective wellbeing. As expected, chi-square difference test and Comparison of AVE estimates with the squared correlation provided evidence of discriminant validity of the PEMS from these two scales. Furthermore, we also found the PEMS predicts consumer subjective wellbeing (life satisfaction, happiness, mental health) significantly. More importantly, it predicted subjective wellbeing even when we controlled the PWE and the DO which also are highly related with subjective wellbeing. That is, PEMS predicts subjective wellbeing over-and-above the PWE and the DO. The predictive power of PEMS on subjective wellbeing was consistent across all income groups implying that perceived economic mobility heightens subjective wellbeing irrespective of individual current income level.

The PEMS and Materialism
Materialism, an enduring belief in the desirability of acquiring and possessing things (Richins and Dawson 1992) has been criticized because it is inversely related to consumer subjective wellbeing (Belk 1985; Burroughs and Rindfleisch 2002). According to Sirgy (1998), materialists set standard-of-living goals that are abnormally high and unrealistic, so the greater gap between ideal and current status result in low subjective wellbeing. We predicted that people holding strong perception about economic mobility to be less affected by the negative impact of materialism on consumer wellbeing. That’s because they consider that they are able to reach the ideal state, in turn, narrow the gap between the ideal and current status. That is, they will consider the gap as temporary and not insurmountable, in turn, will not necessarily experience lower subjective wellbeing. Thus, we predicted that perceived economic mobility will moderate the detrimental effect of materialism on consumer subjective wellbeing.

Study 5 aimed to test this hypothesis and we conducted a survey in MTurk (162 adults). Three separate regression analyses were conducted for three wellbeing measures (satisfaction with life, neuroticism, stress). The interaction terms between the Materialistic Value Scale (MVS; Richins and Dawson 1992) and the PEMS were significant in all of three models. Spotlight analysis (Aiken and West 1991) showed that people with high materialistic value experience lower life satisfaction and higher neuroticism and stress only when they have low PEMS scores but not when they have high PEMS scores, supporting the hypothesis.

Study 6 (129 undergraduate students) which manipulated perceived economic mobility and measured materialistic value (Richins and Dawson 1992) and affect (PANAS; Mackinnon et al. 1999) confirmed the finding of Study 5 and excluded the alternative explanation of reverse causality. The results showed that highly materialistic people experienced significantly higher negative affect only when they are primed to perceive low economic mobility (vs. high economic mobility). In aggregate, materialism does not harm consumer subjective wellbeing when people believe upward mobility is possible.

This research has several contributions. First, it introduced a scale that measures individual perceived economic mobility, which will enable us to better understand how perceived economic mobility affects people’s decision making and wellbeing. Second, we revealed that the positive perception about economic mobility promotes consumer wellbeing by mitigating the negative impact of materialism. Despite the commonly held criticism on materialism, this research suggest that material pursuits need not have adverse effects on individual wellbeing if he or she believes in the chance of upward economic mobility. Thus, promoting belief in economic mobility can be one of effective solutions to help consumers be happier in this material world. Especially given the fact that the perception was manipulated in Study 6, enhancing belief in economic mobility can be feasible strategy for policy makers.
REFERENCES