

When self-esteem is threatened, people pay with credit cards

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People shop for high status items when they're feeling low, and they're more likely to make those expensive purchases on credit, according to a study in the current *Social Psychological and Personality Science* (published by SAGE).

When a person's ego is threatened—by doing poorly on a task, by being told they're not as good as they hoped—people sometimes repair their self-worth by purchasing luxury goods. Because actually parting with cash can be psychologically painful, researchers Niro Sivanathan of the London Business School and Nathan Pettit of Cornell University studied whether people might be more likely to use a credit card when feeling badly about one's self.

The researchers had people work on an ambiguous computer test, and then told half of them that their "spatial reasoning and logic ability was in the 12th percentile," which is a scientific-sounding way of telling them they're not very smart. They told the other half that they were in the 88th percentile, a perfectly fine performance. When asked how they might pay for "a consumer product that you have been considering purchasing," people who'd had their ego threatened were substantially more likely to say they were planning on paying on credit.

In a follow-up study, Sivanathan and Pettit asked 150 college students to think about buying a pair of jeans. Half were told to consider a pair of exclusive, high status designer jeans, while the rest were told to think about normal, everyday jeans. The students then went through the same

computer test, and were told they had done poorly or well. The [self-esteem](#) threat made people willing to pay almost 30% more for the luxury jeans, and were more than 60% more likely to intend to purchase the jeans with a credit card.

Does threat make any purchase look good, or are luxury items particularly good at repairing self-esteem? The students who thought about everyday jeans did not increase how much they would pay for regular jeans when threatened, and the threat did not change their willingness to use credit over cash. Luxury items are especially effective at reassuring us of our value.

People are likely to resort to credit after threat to consume luxury goods, despite the interest and fees associated with consumer credit. Seeking luxury after threat, the researchers note, is a normal response. These studies are part of a psychological account of how relaxed lending policies—for example high interest mortgage offers aimed at consumers of low socioeconomic status—can have disastrous consequences.

More information: The article "The Plastic Trap: Self-Threat Drives Credit Usage and Status Consumption" in Social Psychological and Personality Science is available free for a limited time at: spp.sagepub.com/content/2/2/146.full.pdf+html

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