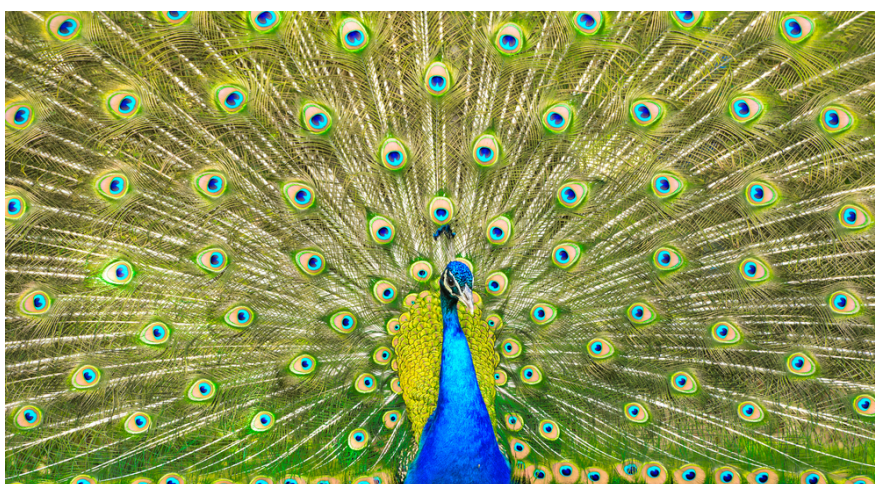


Understated “status signalling”

Status signalling is not new. From deer with the biggest antlers to peacocks with the brightest plumage – a lot of status signalling goes on in the animal kingdom and it turns out humans are no different



Source: Shutterstock

Virtuously on-trend

Wealthy people have always spent money on expensive things to signal their status in society; economists call it “[conspicuous consumption](#)”. But while the mega-rich are still buying yachts and Bentleys, the affluent “aspirational class” are changing tack, says [Elizabeth Currid-Halkett](#).

With mass-production methods and outsourcing to cheaper countries, there is now a “deluge of accessible luxury”, so the rich now use “much more tacit signifiers of their social position”. People are now more nuanced in how they signal their wealth.

For the wealthy, it is all about spending discreetly, or “inconspicuous consumption”: buying services, eating organic, and investing in education, health and cultural activities. While conspicuous consumption is about showing off, inconspicuous consumption is mainly about getting ahead and improving the quality of life for themselves and their children. Investing in “cultural capital” means they know the right things to say that will help them climb the social ladder, this then opens doors for their sons and daughters. In short, “inconspicuous consumption confers social mobility,” says Currid-Halkett.

In a similar vein, a paper by the Adam Smith Institute in 2016 argues that in the previous two to three years, status signalling has shifted its focus to “authenticity”, where knowledge and

environmentalism are key. It's known as "[virtue signalling](#)". But despite this trend, there are also more traditional psychological factors at play when we make purchasing decisions.

The psychology behind status signalling

[Studies](#) show that status signalling often happens amongst people earning less, who then spend a higher percentage of their pay on 'status goods'. These people splash out to create an illusion of wealth. [Experts warn](#) this can land many in debt, as people with lower incomes end up eating into their savings.

How we feel about ourselves also plays a big part in the psychology behind status signalling. [Experiments at London Business School and Cornell University](#) show that bruising a person's ego can make them want to buy status goods, which "nurse their psychological wounds". Other researchers describe this as "[compensatory consumption](#)" – where people buy things that symbolically compensate for what they feel they are lacking.

Personality can also be a factor in status signalling. The more outgoing a low-income person is, the greater their desire for prestige, say academics from University College London. They analysed data from bank accounts and found that [extroverts spent more](#) on upmarket items like foreign air travel, golf and electronics, and spent less at discount stores and pawnbrokers.

Managing your money

If it is a flashy purchase, or something more low key, recognising status signalling as wasteful spending means it becomes more manageable.

Encouraging self-acceptance can reduce our need to demonstrate our status through spending. An [experiment](#) by the World Bank found that the desire for status goods dissipated when a person's self-esteem was given a boost. When people were told to recall an accomplishment that made them feel proud they were less likely to take up the offer of a platinum credit card afterwards.

A university education helps too: those who have been to college are [13% less likely](#) to spend on goods that suggest wealth than those on the same income with a high school education only. Researchers also suggest those with a professional title or degree certificate – a recognisable ability to others – also have less need to signal their status via goods.

So, whether it's a flashy purchase or something more low key, if we do perceive status signalling as wasteful spending it can be actively managed.

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