Materialism and Financial Behaviors

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Introduction

The conceptualization of materialism as a value and the Material Values Scale (MVS) developed to measure it (Richins and Dawson 1992)[3], lead to hypotheses concerning the relationship between materialism and financial behaviors (Richins and Rudmin 1994). However, a recent search of the literature yielded only two relevant papers that addressed this issue directly (Watson 2003) and Garsdadottir, Dittmar, Jonsdottir (2007). However, Garsdadottir et al. (2007) utilize a convenience sample in Iceland, which makes it less relevant to the hypotheses addressed in this presentation.

Relevant Literature

The main findings from Watson's two studies (2003) provide "mixed support" for the broad claim that materialism influences financial behaviors. Using ANOVA, Watson showed that materialism[4] (defined as scores above the median split on the MVS), differed slightly in terms of portfolio composition, and in the types of items that they would, *hypothetically,* borrow funds to pay for. Further, materialists had significantly more credit cards and used the credit more often. However, materialism did not significantly relate to total debt when estimating the relationship using a multiple linear regression.

The Present Study

Watson's findings cannot be generalized to American college students, but identifying predictors of poor financial management practice is essential. American college students average nearly $2200 in credit card debt, and Americans aged 25 and under are filing for bankruptcy at a rate increasing higher than any other demographic (Mae 2004). While this summary does not provide specific data, it indicates what must be done to arrive at a better understanding of the relationship between materialism and financial behaviors.

Dichotomizing continuous variables results in lost information (Cohen, Cohen, West, and Aiken 2003). Moreover, the dependent variables selected by Watson for inclusion are arbitrary. One example is whether a person has more than $1000 of outstanding credit card debt. The present study measures variables including credit card debt by level, with each level including a range of values. For example, the response options could be 0, more than 0 < $500, between $500 and $1000, between $1000 and $2000, and more than $2000. The impact of materialism on credit card debt can then be evaluated using ordered logit/probit. Moreover, multiple indicators of each financial behavior were collected. For example, in addition to number of credit cards owned and frequency of use, our study also considers the frequency of occasions when less than the full balance was paid. We posit that if materialism significantly and *meaningfully* predicts financial behaviors, it will be with broad areas of financial management such as risky credit card use *on the whole*.

We were forced to conclude that without dependent variables generated from solid theoretical ground it is likely that our initial question will remain unresolved.

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[3] Bibliography was omitted due to space constraints. For complete references: Joseph.Eisen@gmail.com.
[4] "Materialism," " materialists", and high vs. low "on materialism" all convey the same idea--the last two simply apply to cases of dichotomization, while materialism refers to the continuous variable.