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Privatized Keynesianism or Conspicuous Consumption?

Status Anxiety and the Financialization of Consumption in Chile

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About the author

Felipe González is a postdoctoral fellow in the Faculty of Political Science and Public Administration at the Universidad Central de Chile, Santiago.
Email: felipe.gonzalez@ucentral.cl

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Max-Planck-Institut für Gesellschaftsforschung
Max Planck Institute for the Study of Societies
Paulstr. 3 | 50676 Cologne | Germany

Tel. +49 221 2767-0
Fax +49 221 2767-555

www.mpifg.de
info@mpifg.de

Abstract

Why do people acquire consumer debt? In this article, I draw on the case of Chile and call into question the explanatory power of both the "trickle-down" and "privatized Keynesianism" hypotheses. I argue that these narratives fail to explain why, in the context of wage improvements, consumers use credit to finance "ordinary" forms of consumption that do not aim to protect lifestyles or signal status to others, but rather reflect a subtler expansion of the standard of living. Building on the idea that consumer debt is used to fill a gap between income and a socially constructed standard of living, I show that financialization might be explained by two subtler mechanisms in the case of Chile and, arguably, other developing countries: *spurious upward mobility* and *relative deprivation*. In both cases, families consume beyond their means in order to perform their class identities and meet the consumption standards to which they feel entitled. Instead of imitating the rich, consumers seek to perform their belonging to an "imaginary middle class."

Keywords: trickle-down consumption effect, privatized Keynesianism, status anxiety, spurious mobility, relative deprivation

Zusammenfassung

Weshalb nehmen Verbraucher Kredite auf? Am Beispiel von Chile hinterfrage ich in diesem Beitrag die Erklärungskraft, die sowohl die Trickle-down-Theorie als auch die Theorie des privatisierten Keynesianismus bei diesem Thema entfalten. Beide Narrative erklären nicht, warum Verbraucher vor dem Hintergrund von Lohnerhöhungen Kredite nutzen, um ganz normalen Konsum zu finanzieren, der weder einen bestimmten Lebensstil absichern noch Dritten gegenüber einen bestimmten Status signalisieren soll, sondern vielmehr dazu dient, den Lebensstandard auf eher dezente Weise zu erhöhen. Ausgehend von der Vorstellung, dass private Verschuldung die Lücke zwischen Einkommen und einem sozial konstruierten Lebensstandard schließen soll, schlage ich vor, die Finanzialisierung im Fall Chiles – und wohl auch weiterer Entwicklungsländer – durch zwei nuanciertere Mechanismen zu erklären: erstens durch vorgetäuschte Aufwärtsmobilität und zweitens durch relative Deprivation. In beiden Fällen leben Familien über ihre Verhältnisse, um ihre Klassenidentitäten auszufüllen und die Konsumstandards zu befolgen, zu denen sie sich berechtigt fühlen. Durch Kreditaufnahme möchten Verbraucher nicht die Wohlhabenden imitieren, sondern vielmehr ihre Zugehörigkeit zu einer „imaginären Mittelschicht" zeigen.

Schlagwörter: Trickle-down-Effekt, privatisierter Keynesianismus, Statusangst, Scheinaufstieg, relative Deprivation

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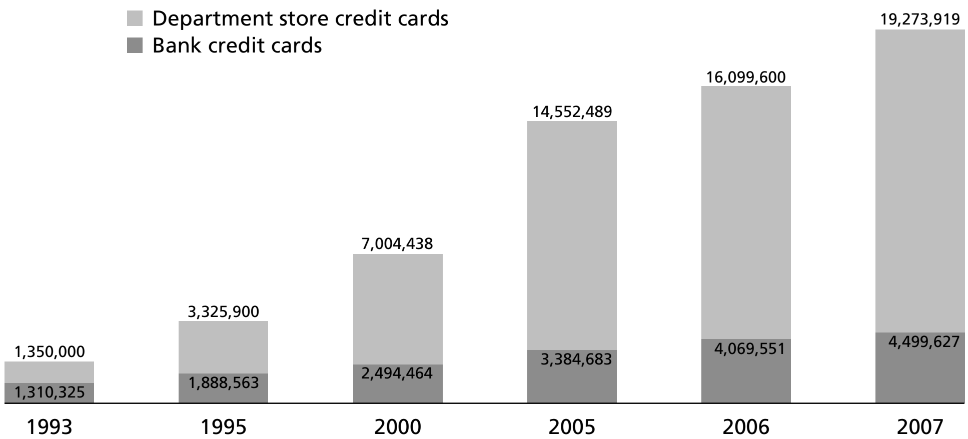
1 Introduction

Chile seems to be a typical case of the financialization of consumption, a country in which the embrace of neoliberal policies (trade liberalization, commodification, labor flexibility and cuts to social spending) was followed by an explosive expansion of the market for consumer credit. Facilitated by the financial innovations carried out by department stores in the 1970s, the market for consumer credit began to penetrate Chile weakly in the late 1980s, but it has exploded over the last two decades (see Figure 1). By 1995, one and a half million households already had consumer debt, and five million credit cards were circulating in a country of fifteen million inhabitants (CCS 1995). According to the latest report of the Financial Retail Committee, by April 2015 there were at least twenty million credit cards circulating among Chilean families. And as the most recent Household Financial Survey conducted by the Central Bank of Chile in 2014 reports, consumer debt is held by 63.4 percent of households, homogenously distributed across all income groups. How can we make sense of this explosion, and why do Chileans use department store credit cards so much?

In this article, I rely on the case of Chile in order to pursue two main goals: to problematize two widely accepted explanations for the rising demand for consumer credit, and to explore the role played by two distinct mechanisms in driving Chilean household indebtedness, *spurious upward mobility* and *relative deprivation*. The article is struc-

Figure 1 The number of bank and department store credit cards in Chile



Source: Extrapolated from data in Montero (2010).

tured as follows. First, it presents two main explanations for the rise of consumer debt and discusses them in the Chilean context. Second, it offers a different approach to the research question and proposes two mechanisms to explain the rising demand for consumer credit among both low- and middle-income families. For each mechanism, I rely on secondary data and literature in order to outline the broad processes that have unfolded in Chilean society and triangulate them with qualitative evidence collected by other researchers and in my own fieldwork conducted in Santiago de Chile. In this way, the article offers an alternative explanation for the demand for consumer debt that seems better suited to the unfolding of financialization in developing countries.

Explaining the demand for consumer debt

The general question of why people become systematically indebted has attracted the attention of numerous scholars (van der Zwan 2014) who have provided accounts that differ from rational choice explanations, which emphasize the role of low interest rates and subjective utility. Currently, it is possible to discern two important and seemingly contradictory explanations in the literature on the rising demand for consumer credit. The first explanation, the "trickle-down consumption" hypothesis, suggests that inequality plays a crucial role in the financialization of consumption by radicalizing the effects of social comparison.

Drawing on Veblen's (1994) idea that the "conspicuous consumption" of the upper classes sets the standard for all social classes (for a definition of the "trickle-down effect," see Simmel and Levine [1971]), economists argue that the concentration of wealth at the top of the income distribution creates pressure on consumers lower on the ladder to imitate their consumption patterns (Barba and Pivetti 2009; Cynamon and Fazzari 2008; Frank 2007). This narrative suggests that inequality sharpens social differences by concentrating wealth at the top, which, in combination with stagnant wages in the middle of the income distribution, creates pressure on the non-rich to emulate the increasing expenditures of better-off consumers. Income inequality is thus implicitly conceived of as a form of social differentiation whereby one group – top earners – shapes the consumption of the rest – the non-rich – and consumers systematically use credit to close the gap between rising aspirations and economic constraints (wage stagnation).

Several scholars have assessed the trickle-down consumption hypothesis empirically. For the US, Christen and Morgan (2005) have found a strong and positive correlation between income inequality and total household debt, comprised of different types of debt. By the same token, Bertrand and Morse (2013) have provided a complete account of the trickle-down consumption effect by researching the consumption expenditures of "non-rich" consumers, showing that "non-rich households consume a larger share of their current income when exposed to higher income (and consumption) at the top" (Bertrand and Morse 2013, 1). According to the authors, consumption by richer consumers increases demand for more expensive goods mainly via social comparison (while demand for other goods remains equal). This argument is supported by data showing that the budget sensitivity of top income earners changes with income elasticity and the visibility of expenditure categories. Following this line of argument, other scholars have gone on to specify which groups are affected by this phenomenon, emphasizing the role of either between- or within-group inequality (Iacoviello 2008).

The second explanation for rising consumer debt has gained salience in the financialization literature in the aftermath of the financial crisis of 2007–8. It stresses that neoliberal policies have prompted households to acquire consumer debt, thus transferring the financial burden from the state to households, a process known as the "privatization of risk" (Hacker 2004). These accounts emphasize different aspects of the effects of the retrenchment of the welfare state and the commodification of household indebtedness, but they can be encompassed in a common narrative, which, following Crouch (2008), I refer to as the "privatized Keynesianism" hypothesis.

This hypothesis draws on the correlation found across developed countries between declining social spending and rising household debt (Kus 2013; Prasad 2012). In line with this empirical finding, scholars have argued that consumer credit is not used by middle-income consumers to emulate the lavish consumption of wealthier consumers, but rather helps people "smooth their consumption" and meet their financial commitments in the context of the rising cost of living, market volatilities, and stagnant wages (Montgomerie 2006; 2009a; 2009b; Soederberg 2013; Weller 2007). As such, because it is households rather than the state that acquire debt and fuel the economy, this system has been called "privatized Keynesianism" (Crouch 2009; 2011).

The privatized Keynesianism hypothesis is based on the recent history of the developed Western world, arguing that the standard of living achieved in the post-war period crystalized in a set of collective expectations that make people's lifestyles inelastic to changing economic conditions, especially labor-market volatility and a weak safety net (Montgomerie 2009b; Streeck 2011). People accordingly acquire debt in order to maintain their lifestyles, keep pace with an increasingly demanding economy and smooth consumption in a changing and hostile environment (Fligstein and Goldstein 2015). Above all, the narrative says, the utilization of credit resembles the absence of a safety net left by the retrenchment of the welfare state (Sullivan 2000; Warren 2003), and this way of using consumer credit is thus better described as a "defensive" than an "emulative" form of consumption.

2 Conspicuous consumption or privatized Keynesianism?

The aforementioned explanations raise several questions. Although both accounts assume that wage stagnation plays a major role in the rise of unsecured household debt, they differ in regard to the reasons that people become indebted. On the one hand, consumers acquire debt because of their desire to emulate the expenditures of the rich. On the other hand, consumers become indebted to protect and secure their lifestyles. But are these two explanations irreconcilable, and do they hold true in developing countries as well?

Recently, Fligstein and Goldstein (2015) examined the paradoxical and contradictory nature of existing explanations for the case of the United States, showing that the emergence of a financial culture affects low- and middle-income groups differently. My approach to these issues is consistent with that of Fligstein and Goldstein: financialization affects households in different socio-economic groups differently. I am less concerned with assessing the relative merits of the two competing hypotheses than with the fact that that they fall short of explaining crucial features of indebtedness in general, and of the indebtedness of Chilean households in particular, in at least two significant ways.

The first problem with these explanations is that they assume that financialization takes place in contexts marked by wage stagnation and a general deterioration of the middle class. According to both narratives, incomes fall short because they remain stagnant in the face of increasing pressures to spend, either to catch up with wealthier consumers or to cope with a more demanding and volatile economy. But this is not the case in Chile, where the expansion of consumer debt has not been grounded in the deterioration of the middle class in the post-Keynesian period as in many capitalist democracies, but in the context of unprecedented growth and a significant improvement in the standard of living for large segments of the population. In fact, the increasing accumulation of household debt in Chile during the 1990s was accompanied by sustained economic growth (Arellano 2011), fluid social mobility (F. Torche and Wormald 2004), rising real wages across all income brackets, and a decrease in the population under the poverty line (from 38.6 percent in 1990 to 14.4 percent in 2011), to mention just a few such indicators.

The second problem is that the indebtedness of Chilean households does not seem to fit either of these two ideal types of consumption practices. In contrast to the privatized Keynesianism hypothesis, Chileans do not resort to debt in order to meet emergencies and smooth their consumption, but rather to expand their purchasing power and buy goods, a practice known as "grabbing something from the department store." According to the 2009 Household Financial Survey, for example, 70 percent of department store credit was used to purchase home appliances, 16 percent to buy clothing, footwear, and accessories, and only a very small portion for medical treatment or educational costs (see Table 1). The last Household Financial Survey, conducted in 2014, reports that while 54 percent of households acquired consumer debt to purchase home appliances, 30 percent became indebted to buy clothing and 22 percent did so to pay other debts (9 percent acquired consumer debt to cover medical expenses).

Table 1 Credit utilization according to the Household Financial Survey 2009

Type of purchase	Type of credit: Bank credit card or overdraft line	Department store or financial institution loan	Bank consumer loan	Department store credit card
Home appliances	38.06	34.76	21.27	**70.19**
Vehicles or other transportation	6.72	2.46	8.87	1.65
Luxury articles (jewelry, art pieces)	0.93	–	0.48	1.42
Other purchases	10.46	**22.04**	11.74	16.17
Vacations	2.95	2.29	1.36	0.08
Medical treatment	5.17	7.62	7.46	1.8
Canceling other debts	14	**17.25**	**29.52**	4.12
Financing an investment	6.4	0.99	6.34	0.16
Remodeling	6.29	**9.49**	0.29	1.85
Other	7.24	3.1	7.11	1.96
No answer	0.96	0	5.14	0.49
Do not know	0.38	0	0.42	0.11

Source: Extrapolated from data in the Households Financial Survey (Banco Central 2009).

In contrast to the trickle-down consumption hypothesis, however, this does not necessarily mean that consumers seek to gain status by exhibiting wealth in the form of luxury goods, fancy vacations, up-to-date clothing, vehicles, and so on. In line with the data cited above, qualitative evidence shows that Chileans instead seem to acquire a standard package of durable goods that are, in many cases, "invisible" (Ariztía 2003; Barros 2011; González 2015a; Stillerman 2012). That is, they use consumer credit for what Gronow and Warde (2013) call "ordinary consumption," goods that do not signal status to others, such as kitchen appliances, construction supplies, standard furniture, and electronics (see also Ilmonen 2013; Longhurst, Bagnall, and Savage 2013; Warde 2011). Rather than smoothing consumption, deploying wealth, and keeping up with a rising cost of living, both low- and middle-income consumers in Chile use consumer credit to expand their wages and acquire a standard package of goods; decorate, furnish or improve their homes; and manage care relations in a way that constitutes a subtle expansion of their standard of living (González 2015b).

Taking these challenges to both hypotheses into account, the financialization of consumption in Chile poses two important questions for the literature: first, why do people become indebted in a context of growth and upward mobility; and second, if neither defensive nor conspicuous consumption drives consumers, what role does the socially constructed standard of living play? In the remainder of this article, I tackle this conundrum and show that financialization might be explained by more subtle mechanisms than the two ideal-typical notions of "defensive" and "emulative" consumption. My strategy elaborates on the simple idea – common to existing accounts – that the rise in consumer debt is a result of an attempt to bridge the gap between aspirations and incomes.

3 Consumer debt and the status anxiety hypothesis

The idea that I want to suggest to account for the rise in consumer debt in Chile, and arguably elsewhere, draws on what is common to existing explanations. I suggest that people use credit because they are not able to meet the socially established standard of living, or, in other words, that the systematic rise in household debt reflects an existing gap between incomes and aspirations. This gap, moreover, is expressed in social discomfort that takes the form of major concerns about "rank," "achievement" or "security" – depending on the structural forces at stake – that de Botton (2005) calls "status anxiety." What has to be investigated, in accordance with this idea, is how this gap is produced by the interplay of structural forces and how it relates more concretely to indebtedness.

Conceptually speaking, the advantage of this formulation lies in the fact that it assumes that both structural and cultural elements are crucial; on the one hand, structural forces such as inequality, commodification, growth, and wage stagnation are relevant to understanding indebtedness because they somehow cause incomes to grow at a slower pace than consumption standards (aspirations, wants, needs, and so on). On the other hand, it is through the social dynamics of comparison, valuation, competition, and *relational work* that structural forces shape the financial practices of households.

As I will show in the following section, in a context of growth, inequality, and commodification, households use credit to deal with status anxiety that is reproduced through two mechanisms: *spurious upward mobility* and *relative deprivation*. These mechanisms make it possible to provide an account of how the socially constructed standard of living and inequality have led people to consume beyond their means that is more nuanced than the account provided by the defensive and conspicuous consumption hypotheses. Furthermore, these mechanisms make it possible to systematically differentiate the processes through which low- and middle-income households become indebted.

The ratchet effect and spurious mobility among low-income households

In Chile, around 60 percent of households in the first and second income quintiles report having at least one non-secured debt with a department store or a bank (Ruiz-Tagle, García, and Miranda 2013), an impressive figure, considering that approximately 25 percent and 20 percent of households in these quintiles, respectively, are subject to credit-supply restrictions (Banco Central 2010). Furthermore, during the last 20 years, expenditures among families in the first income quintile have surpassed their earnings by 50 percent, on average, and among families in the second income quintile they have surpassed their earnings by between 15 and 30 percent (Table 2). Only the richest households (the top 20 percent), which, according to data of the Central Bank, held 47.2 percent of total debt in 2010, spend considerably less on average than their annual income (Banco Central 2010).

Table 2 Average expenditure as a share of average income, by income quintile, percent

	1996–1997	2006–2007	2011–2012
I	156.3	152.8	148.2
II	121.8	128.1	115.8
III	105.8	117.8	109.0
IV	96.6	105.9	98.0
V	80.6	90.5	81.9

Source: Data from Instituto Nacional de Estadística, different years.

The indebtedness of these consumers has less to do with conspicuous or defensive forms of consumption than with a progressive ratcheting up of the standard of living together with a lack of opportunities to fulfill these expectations. As I show in this section, at the most general level, the mechanism driving the demand for credit among poorer consumers in Chile is the following: with the aid of social policies specifically targeted at the bottom 20 percent of households – which, according to the 2012 Family Budget Survey, spend an average of 45 percent of their budget on food and transportation – many families moved above the poverty line (approximately $170 USD per month at today's rate), became homeowners, and enjoyed material improvements. However, this new standard of living and rising aspirations were not accompanied by better opportunities in the labor market, thus excluding many families from the new consumption trends in Chilean society. In this context, which I term "spurious upward mobility," "absolute poverty" was replaced by "relative poverty," and department stores became for many the only place where people were able to buy those goods to which they increasingly considered themselves entitled. In the process of becoming homeowners with the help of subsidies and moving out of abject poverty, many Chilean families progressively learned how to incorporate small loan payments into their budgets, pay installments on time, and ensure their permanent access to goods that they would otherwise not have been able to afford. The *status anxiety* of these consumers is revealed in two ways. First, even though their situation has improved, they feel excluded from the benefits of growth. Second, due to the "spurious upward mobility" facilitated by social policies, they tend to overestimate their objective status. This process, which I elaborate in more detail below, can be depicted as follows.

Status Anxiety Mechanism 1: Spurious upward mobility

Material improvements (homeownership, government subsidies) → Rising aspirations → Poor labor opportunities → Relative poverty

(Consumers feel excluded and overestimate their status.)

As argued above, Chilean households have experienced impressive material improvements in recent decades, where total poverty diminished from 33.3 percent in 1990 to 6.5 percent in 2013 and real wages for all income groups increased between 1990 and 2009. There are at least two important factors behind the material improvement of low-income households in Chile: housing subsidies and money transfers.

To start with, housing policies have been the cornerstone of the material improvement and rising aspirations of low-income households (bottom 30 percent). With the return to democracy in 1990, the state no longer ensured and fostered homeownership by directly building and providing dwellings, but instead by implementing a new policy combining family savings, subsidies, and housing loans (A. Torche 2000). The only exception, in favor of the poorest, was the policy of relocating families living in very precarious settlements in occupied territories to "social dwelling units." In this way, *Concertación*, the center-left coalition, aimed to reduce the shortfall in housing that met minimum sanitary and material conditions, which in 1990 was estimated to be more than one million. In the period between 1983 and 2008, an average of 106,000 new housing units a year were built in Chile, during which time housing policies reduced the housing deficit to around 543,000 units (Casgrain 2010). As a result, homeownership rates among the bottom 40 percent of households had already reached more than 70 percent in 2000, compared with around 50 percent in the United States (Davies 2008). In this way, homeownership changed the living conditions of many families that had previously lived in precarious settlements known as *tomas* or *campamentos*, and which now had access to better sanitary services as well as to assets that turned them into feasible subjects of credit.

The second major factor behind the material improvement of low-income households was an important increase in their incomes, which rose by around 70 percent among the bottom two income quintiles between 1990 and 2009. However, most improvements in poverty indicators that affected the standard of living of the poorest households in Chile were not necessarily related to wage improvements, but to monetary transfers (Contreras 1999; 2003; Contreras et al. 2005; Larrañaga and Herrera 2008; Larrañaga and Valenzuela 2011; Neilson et al. 2008). The nature of material improvements among low-income households is depicted in the table below, which shows that even though real incomes rose across all income brackets, the improvement of poorer households was primarily a result of monetary transfers rather than an increase in real wages in a considerable proportion of cases. Thus, for example, the labor income of households in the lowest income quintile rose by 38 percent between 1990 and 2009, while monetary transfers grew by 492 percent in the same period (Table 3). According to the National Socio-Economic Characterization Survey, monetary transfers accounted for more than 40 percent and 14 percent of the total income of the first and second income deciles in 2013, respectively. This is why, if state subsidies are excluded, the share of households that earned slightly over the lean minimum wage in Chile in 2006 increased from 33.2 percent to 41.8 percent (Reinecke and Valenzuela 2011).

Taken together, material improvements boosted by homeownership and government subsidies changed the living conditions of households that moved out of poverty and became homeowners for the first time in generations. However, material improvements without better labor-market opportunities represent a form of "spurious upward mobility" that creates a gap between new consumption standards and real opportunities to meet them. The spurious upward mobility experienced by these consumers is broadly

Table 3 Real income increases by quintiles of per capita household income between 1990 and 2009, percent

	I	II	III	IV	V	Average
Capital and labor income	38	64	63	73	55	59
Money transfers	492	369	305	236	89	352
Total income	69	72	67	74	55	62

Source: Taken from OECD (2012).

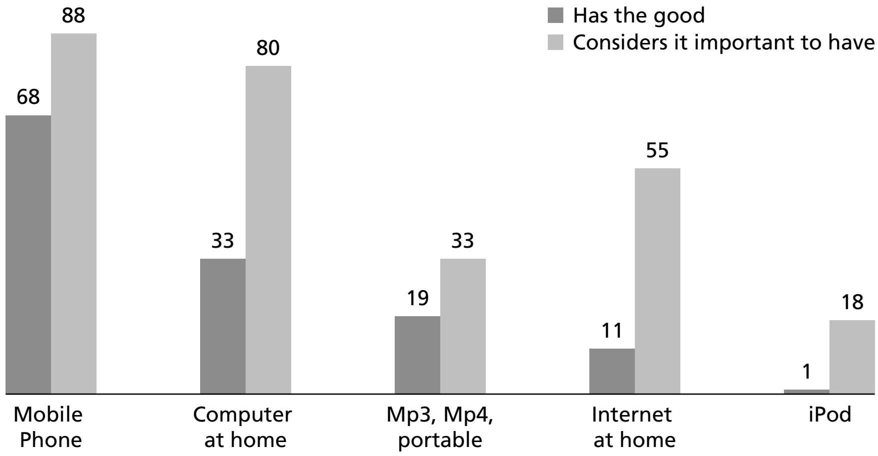
expressed in the fact that they tend to overestimate their position in the social structure. Thus, for example, Castillo, Miranda, and Madero Cabib (2013) show that 77 percent and 60 percent of individuals in the first and third income deciles, respectively, tend to overestimate their objective status, a figure that diminishes considerably among the middle- and high-income deciles (2.6 percent and 0 percent in the sixth and ninth income deciles, respectively).

"Spurious upward mobility" – material improvements fostered by government subsidies rather than real wages – decouples people's subjective status from their objective position, ratchets up the consumption standards of new homeowners, and leaves many of them with no other option than to use credit cards to close the gap between their income and their new needs. In the end, whether through cash, a mortgage, loans or subsidies, new houses have to be furnished, decorated, and improved in accordance with the new class identity of their owners (which we know tends to be decoupled from their objective status). This partly explains why most low-income consumers in Chile use their department store credit cards to acquire a standard package of durable goods and furnish and decorate their new homes.

More generally, "spurious upward mobility" gives one good reasons to think that families that have experienced upward mobility, and which can be considered as being in "better shape," could well share the feeling that they are not participating in the benefits of growth – at least not at the pace that higher-earning families seem to enjoy. Evidence points in this direction. To begin with, the sharp reduction in poverty coincided with persistent levels of income inequality, to the extent that the Gini coefficient for the period between 1990 and 2011 fluctuated between 0.52 and 0.58 (López, Figueroa, and Gutiérrez 2013). This means that these consumers may have moved out of poverty, but as long as inequality remains untouched, they continue to fall below the median income and remain among the "relative poor." In fact, according to Pino (2011), relative poverty in Chile, measured as 60 percent of the median income, has been higher than total poverty for most of the last two decades.

The "relative poverty" of these consumers is clearly seen in the fact that they perceive a gap between what they own and what they consider adequate according to general trends in Chilean society. Thus, a survey conducted by a marketing agency in Santiago with individuals concentrated around the third income decile showed that, in a normal month in 2007, respondents felt that their main problems (true of all Chileans) were

Figure 2 The gap between property and aspirations, 2007, percent



Source: Extrapolated from data taken from Criteria Research 2007.

"lack of cash" (42 percent), "low wages" (22 percent), and "few labor opportunities" (21 percent). In line with their "spurious upward mobility," although an important share indicated that their situation had improved relative to their parents' (39 percent indicated that they lived "better" than their parents, while 37 percent enjoyed the same standard of living), a sizable majority thought that they were not being favored by the "economic growth that the social media talk about" (78 percent). As Figure 2 clearly shows, this perceived gap is reflected in the fact that these consumers felt that many things continued to be out of their reach: the overwhelming majority of these consumers considered it important to have a mobile phone and a computer at home (95 percent and 80 percent, respectively), but less than 70 percent had a mobile phone, and only slightly more than 30 percent had a computer. More impressive is the fact that more than 50 percent considered having Internet at home to be important, while the share that actually had home Internet access was barely 10 percent. Likewise, while almost 20 percent considered it important to have an iPod, only 1 percent actually possessed one.

Of course, this gap between income and aspirations does not necessarily mean that aspirations are too high, but the gap does demonstrate that the average wage falls short in the face of the rising cost of living in Chile. According to an international student exchange agency, for example, an average student in Chile can expect to spend at least $1,243 a month, which only includes a room, transportation, food, and $25 USD to spend freely. In a country where an average worker can expect to spend at least $135 USD per month on public transportation (assuming two daily bus or subway fares), the average wage of most workers (less than $800 USD per month in 2014) is insufficient to meet the standard of living that they consider adequate.

So what exactly do low-income consumers purchase with this credit in a context of "spurious upward mobility"? If "consumer fever" were the main driving force, we could expect these consumers to be using their credit cards to purchase clothing and other items such as cars (only 1.3 percent) and luxury goods (less than 1 percent) that serve as markers of distinction. Instead, however, families use department store credit cards to purchase durable goods and accessories (more than 70 percent), which is in line with the qualitative evidence. As Barros' (2011) qualitative study of a low-income municipality in the Santiago Metropolitan Region shows, consumers in the bottom income quintile most typically use department store credit cards to buy items for their homes that improve their "comfort" and "quality of life," known as "big purchases." In this category, we find goods such as a living room set, a new TV, and a water heater system, all of which, in many cases, cost vastly more than the monthly incomes of these families, and for which people feel unable to put money aside in the face of more urgent expenditures. Ariztía (2003) arrives at a similar conclusion by interviewing poor families in Santiago, for which a department store credit card was the only way to acquire a "package of durable goods."

In this regard, Ureta's (2007) study on the material transformation of and home decoration among low-income families in Santiago is illuminating. His qualitative study shows that the process of "homemaking" among low-income families goes beyond the acquisition of a house and entails the formation of people's identity and expression in tune with their integration into Chilean society. In line with the idea that money transfers and homeownership have ratcheted up aspirations without a corresponding rise in labor income ("spurious upward mobility"), Ureta's study shows that both material transformation and home decoration represent important changes for families that, for the very first time, have access to private property, which they can modify and transform according to their preferences and that reflect their own identities. In this scenario, acquiring durable goods and "better" (branded) clothing with these credit cards might be a marker of social status among their peers, but the evidence suggests that many families prefer to use consumer loans to obtain what they see as a legitimate "standard package." As Stillerman (2012, 73) notes in his study of families on the edge of the poverty line, "These families access goods and services available to most of their peers rather than seek to emulate higher social strata." At most, social comparison works in the contrary direction, when poorer consumers buy items on credit in order to escape the stigma of poverty, as revealed by the qualitative research conducted by van Bavel and Sell-Trujillo (2003).

Relative deprivation among middle-class consumers

The *status anxiety* of middle-income consumers (those in the fourth to seventh income deciles) is more puzzling. By definition, consumers who earn around the median income are not relatively poor. Unlike poorer consumers, they have increased their purchasing power considerably, to the extent that the average increase in real wages for these groups between 1990 and 2009 amounted to 68.7 percent (Bazoret and Fierro 2011; León and Martínez 2007); and since they enjoy better work contracts (Bazoret and

Fierro 2011; Espinoza and Bazoret 2009), they are less likely to fall below the poverty threshold and have more opportunities to maintain or improve their status (Contreras et al. 2005). Nonetheless, middle-income households remain very keen to use financial services, mixing bank consumer loans with department store credit cards, to finance their consumption, as Marambio's (2011) quantitative research shows. Moreover, surveys reveal that these households tend to acquire more debt in relation to their income (a higher ratio of total debt to annual income) than both low- and high-income groups, and that they feel quite stressed about this situation (Barros 2009). What explains the gap between incomes and aspirations – expressed in outstanding debt balances – in a context marked by improving real wages?

Middle-income consumers have experienced upward mobility facilitated by a rise in real wages. Nevertheless, in a context of upward social mobility across all income groups and persistent inequality, the standard of living has improved in absolute terms, but social mobility and improvement have gone unnoticed in relative terms, triggering *relative deprivation* (dissatisfaction with their income) among middle-income consumers. Unlike the *spurious upward mobility* mechanism of the poor, the *status anxiety* of middle-income Chilean households is characterized by the fact that they underestimate their objective status while overestimating the wealth of others. Rather than imitating consumers above them in the social hierarchy, however, the gap between the incomes and aspirations of these consumers is materialized in an "imaginary middle class." This phenomenon can be depicted in the following way.

Status Anxiety Mechanism 2: Relative deprivation

Wage improvements and upward trajectories - - - - -→ Collective mobility - - - - -→ Inequality - - - - -→ Relative deprivation

(Consumers underestimate their status/overestimate others' wealth.)

The status anxiety of middle-income consumers in Chile is explained by the principle of relative deprivation (Stouffer et al. 1950). Studying the perception of status among American soldiers in different departments of the army, Stouffer et al. (1950) discovered that individuals who belonged to departments with a high degree of social mobility tended to be more discontent with their own status, whereas those who worked in departments with fewer opportunities to improve their careers felt more satisfied. This led Merton (1968) to interpret these results in sociological terms, arguing that what matters in explaining people's satisfaction with their own situation is not total income or opportunities, but the concrete *reference groups* with which they compare themselves. In this way, individuals in contexts in which there are more promotion opportunities tend to be more acutely aware of the mobility and success of their peers.

The idea of relative deprivation has been developed in happiness studies, and studies have pointed to the fact that subjective wellbeing and general satisfaction with one's income, possessions, and status are assessed not in absolute terms such as total income, but in relation to others (Easterlin 1995; Frank 2005; Frey and Stutzer 2002). In other words, satisfaction with one's income and consumption levels is not determined by subjective utility, but by the socially constructed standard of living. The standard against which one's income is assessed depends on the perceived wealth and consumption level of proximate others.

Consistently with the idea of relative deprivation, it can be argued that both collective upward mobility and persistent inequality are the underlying causes of relative deprivation among middle- and upper-middle-income consumers in Chile. In the first place, during the last two decades Chileans have experienced fluid social mobility (F. Torche 2005). Thus, for example, as scholars have shown (Bazoret and Fierro 2011), only a small share of households that belonged to the poorest income group in 1996 (28.1 percent) were still poor in 2006, and 24.5 percent of households that were poor in 1996 had experienced upward mobility to such a degree that they found themselves in the top five income deciles in 2006. In comparison with other developing countries such as Venezuela and Indonesia, the coefficient of social mobility among the Chilean middle classes has been considerably high (Contreras et al. 2005). In line with the traditional theory of *reference groups,* according to which individuals tend to identify with advantaged groups in societies that have high rates of upward mobility (Merton and Kitt 1997), fluid social mobility and high levels of income inequality might imply that Chileans have a distorted perception of the success of their peers, which ultimately resembles relative deprivation. At the same time, fluid mobility and inequality also induce anxiety among those who experience neither upward nor downward mobility but see their status threatened by newly rising groups.

In addition, relative deprivation has been further induced by the fact that persistent levels of inequality have overshadowed improvements among consumers across all income groups. As Bourdieu stressed in *Distinction* (1984), individual trajectories might be overlooked in the face of collective social mobility. Thus, while an improved standard of living in absolute terms results in important lifestyle changes, "relative mobility" can remain unchanged if almost everybody else is also better off. In simpler terms, since material improvements in Chile have left inequality untouched, the perceived effects of collective social mobility are minor, leaving many feeling dissatisfied: unlike in previous decades, children from low-income families attend school, wear shoes, and live in their own home, but relative to the new median consumption standards in Chile, the poor are still very poor. By the same token, a middle-class family now earns higher wages, can travel across the country for a vacation, and has an Internet connection and computers at home, but remains far from the consumption standards of the top 20 percent, who are now likely to have a second home, travel abroad, and own luxury cars (González 2015b).

One way to interpret these dynamics is through the trickle-down consumption hypothesis, according to which consumers emulate those just above them on the social ladder (Frank 2007): when defining their consumption standards, relatively poor consumers look to middle-class individuals, who themselves look to the upper classes. However, relative deprivation points to a slightly different phenomenon. Middle-income consumers are not necessarily emulating those above them; instead, their relative deprivation seems to create a distorted perception of the wealth of their peers, as well as an underestimation of their own status in Chilean society. Moreover, as qualitative evidence shows, they do not identify with the upper classes, but with an "imaginary middle class" that is distinguishable from both low- and high-income groups.

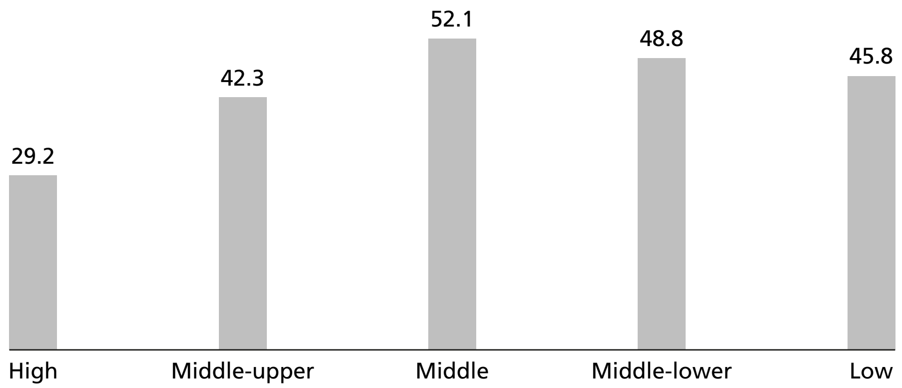
The relative deprivation of middle-class consumers has many expressions. For example, as reported in a survey of consumers from upper-middle and higher socioeconomic groups conducted by Universidad Finis Terra in 2008, 59 percent of the interviewees declared that they were unhappy with their actual income, a phenomenon that was even more marked in the upper-middle group (65 percent of the upper-middle group versus 47 percent of higher groups). Those who belonged to the seventh and eighth income deciles were the most dissatisfied: most of them (60 percent) wanted to see a 25 percent increase in their income.

Similarly, the survey also found that most upper- and upper-middle-strata consumers (ABC1 and C2 in ESOMAR marketing classifications) considered money to be "important" or "very important" to happiness (90 percent of respondents), and a large majority felt that money was much more important now than in the past (79 percent). In parallel, most respondents also said that in Chile, there was excessive pressure to consume (77 percent). Among these respondents, around 50 percent said they felt "vulnerable" in this situation, and this feeling was stronger among women than men (55 percent versus 42 percent, respectively). This general dissatisfaction with rank and achievement in Chilean society (status anxiety) explains why Chileans across all socioeconomic groups feel relatively happy about their jobs, free time, sexual life, friendships, family relations, and neighborhood, but highly dissatisfied with their economic situation, as revealed in a 2008 report by the Universidad Diego Portales.[1]

Finally, nothing reflects the status anxiety of middle-class consumers better the fact that many Chileans actually have a highly distorted view of the wealth and money of others. Opinion polls in Chile show that people from all social strata, regardless of their level of education, feel that their incomes are barely enough to meet what they consider "basic needs and nothing else" (Figure 3). Similarly, as Figure 4 shows, the feeling that "more than half of Chilean families earn more than me" is more acute among middle-income groups (50 percent), which include administrators, mid-level executives, skilled workers, and independent professionals, who collectively represent 25 percent of Chilean households. Unlike poorer consumers, middle-income individuals in Chile tend to systematically underestimate their status, and this phenomenon is more marked among upper-middle- than lower-middle-income groups. Thus, for example, Castillo, Miranda, and Madero Cabib (2013) demonstrated that 50 percent and 97 percent of individu-

1 The report is available at: http://encuesta.udp.cl/descargas/publicaciones/2009/Satisfaccion%20de%20los%20chilenos%202005-2009.pdf.

Figure 3 Consumers who think their incomes allow them to fulfill only basic needs and nothing else, by socioeconomic group, 2008, percent

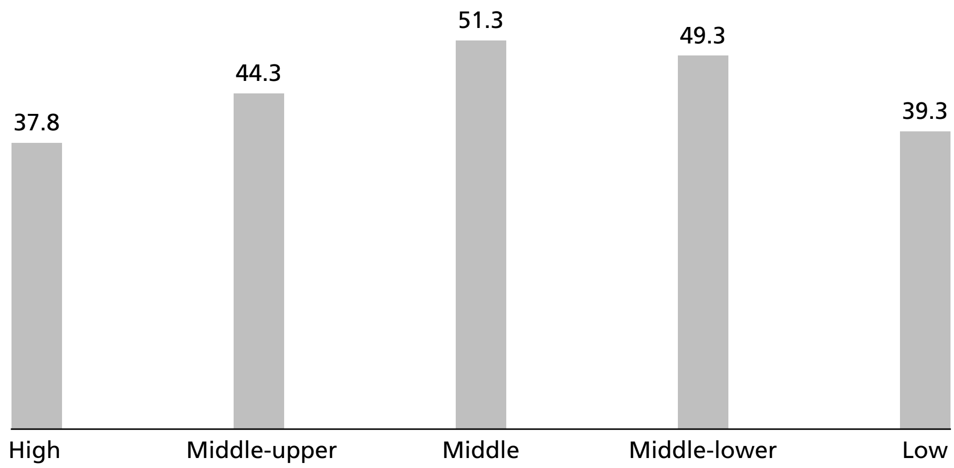


als located in the fourth and seventh income deciles, respectively, underestimated their objective status, an effect that diminished considerably in the bottom three income deciles (between 0 percent and 20 percent).

Of course, *relative deprivation* implies that the social dynamics of comparison and *reference groups* are crucial to understanding how consumption standards are created. But qualitative evidence reveals two facts that are inconsistent with the traditional trickle-down consumption hypothesis. First, credit helps middle-class consumers close the gap between their aspirations and their incomes by enabling them to acquire ordinary goods and engage in a wide range of consumption practices that are not intended to signal status. Second, rather than imitating wealthier consumers or perceiving themselves as upper class, most Chileans proudly perceive themselves as middle class (Bazoret and Fierro 2011) and strive to distinguish themselves from both high- and low-income groups. This suggests that the main reference group of these consumers is not the rich, but a sort of *imagined community* (as Anderson [1991] understood the term in the context of nationalism).

To begin with, scholars in Chile have shown that, by prioritizing expenditures and allocating incomes, the so-called new middle-class workers seek to perform what they conceive of as their "expected" and "authentic" class identities (Mendez 2008). In this case, it is the indeterminacy of people's status in a context of changing social boundaries that makes people pursue an "ethics of authenticity" when performing their middle-class identities (status anxiety). As Salcedo and Stillerman (2010) conclude from their observations, interviews, and focus groups with young lower-middle-class consumers in a shopping mall in the most populated district in the Santiago Municipal Region (La Florida), lower-middle-class youth engages in practices to distinguish themselves from both poorer and richer consumers, and in doing so simulate the practices of middle-class adults. This finding is in line with research conducted by Salcedo and De Simone (2013), who argue that the shopping mall, with its associated consumption practices, has become a crucial space in which to perform a sort of "imaginary middle class"

Figure 4 People who think more than half of Chilean families earn more than them, by socioeconomic group, 2008, percent



Source: Extrapolated from data from the Encuesta Nacional UDP 2008.

in Chile, not necessarily by deploying wealth and affluence in front of others, but by spending time with family, going out, and eating together.

The idea that there is an "imaginary middle class" complements the fact that Chilean consumers have a distorted perception of others' wealth, as well as the fact that the financial practices of Chilean consumers are guided by underlying expectations of what an authentic middle-class family should be (rather than the desire to emulate the rich). Several practices demonstrate a clear connection between the use of credit and the way in which Chilean households realize their expectations and class identities in a context of improvement, showing that their indebtedness is mainly driven by the acquisition of "ordinary goods" that ratchet up consumption standards at a higher pace than wage improvements. To make this point clearer, I conclude by presenting material collected during fieldwork conducted in Santiago de Chile in 2013 with 26 middle-income families.[2]

To begin with, middle-income families deploy consumption practices aimed at fixing their class identities in accordance with shared expectations about their "sense of place" in society. In this regard, becoming a homeowner and moving into one's own home becomes the most important milestone in the acquisition of consumer debt and learning how to incorporate debt into everyday economic practices. As I have shown elsewhere (González 2015a), middle-class consumers who experience intergenerational mobil-

2 The sample consisted of households that, at the time of the interview in 2013, had at least one type of consumer debt and whose per capita income placed them in the third to seventh deciles. According to the 2011 Chile National Socioeconomic Characterization Survey, the average monthly per capita income of households in the third to seventh income deciles ranged between 315,054 and 667,302 Chilean pesos ($651 and $1,380 USD).

ity deploy a wide range of material practices to improve, decorate, and furnish their new homes in order to match their new and "authentic" class identities. In this process, some families begin using department store credit cards to progressively acquire durable goods and pay back their debts to improve their credit rating, and after a while they come to see credit as a virtual savings account that can be used at any time. In other cases, new and bigger homes make older possessions that do not match the new standards outdated, pushing homeowners to replace their furniture, kitchen appliances, and decor. These improvements fuel the demand for ordinary goods by systematically outdating older goods and requiring the acquisition of new ones, a phenomenon known in consumption studies as the "Diderot effect" (Warde 2011).

In any case, whatever the nature of the products they purchase, consumers consistently argue that they use their department store credit cards to purchase things they consider "necessary" (González 2015a). In many cases, "buying what is necessary" means managing care relations, such as giving birthday gifts or buying presents for graduations, weddings, or other ceremonies, as well as equipping loved ones with consumer goods that people consider worth having. In this sense, people are not using credit cards to access goods that were previously out of reach, but to improve the goods to which they already have access. Credit thus affords a transition from "normal" to "branded" products, such as a "good" tennis racket or "better" clothing. In all these cases, people use credit to purchase things that they feel are appropriate to their social status, and to which they are thus entitled.

Interviews with middle-income household heads – as well as other studies – show that consumers who experience upward mobility see credit as a source of recognition and a means of erasing the stigma of poverty. Sudden upward mobility in many cases triggers a sense of "euphoria" that can have disastrous financial consequences. To some extent, according to testimonies, being impulsive or "not denying oneself anything" often stems from previous experiences of poverty and material constraints. In this sense, being able to indulge oneself with credit is both the expression of a sense of pride regarding one's achievement and a clear way of erasing traumatic experiences and the markers of one's social origins; having discretion over one's income and moving away from daily restrictions is an integral part of the lives of the imaginary of the middle class."

Finally, qualitative evidence shows that credit also represents economic independence. For some consumers who do not receive wage income, such as housewives dependent on money from their spouses, for example, department store credit cards offer a means of experiencing financial independence that they do not enjoy in the labor market (González 2015b). By allowing payment in small monthly installments, department store credit cards allow housewives to buy small discretionary luxuries like clothing, accessories, and gifts, and to shop independently. In this way, credit provides a means of realizing the economic independence of the "imaginary middle class," which in this context means going out, shopping without saving in advance, and using credit to purchase something impulsive, unusual, or unplanned.

4 Conclusions

In this article, I have argued that the Chilean case calls into question existing explanations for the rise of consumer debt in the neoliberal age on two grounds. First, these explanations assume that a general deterioration of the middle classes and wage stagnation are the driving forces behind the rise of unsecured debt, whereas consumers in Chile have experienced sustained material and wage improvements. Second, they offer two competing theories of consumption that do not fit the reality of Chilean households, as evidenced by both quantitative and qualitative evidence. In contrast to these explanations, I have suggested that indebtedness results from *status anxiety*, a gap between incomes and aspirations that is socially constructed (and not a mere manifestation of individual utility, in contrast to rational choice explanations), and identified two mechanisms that drive the demand for consumer credit: *spurious upward mobility* among low-income households and the *relative deprivation* of the middle class.

In both mechanisms, the interplay of structural forces – the rise of real wages, inequality, and social mobility – reproduces status anxiety by causing the standard of living to increase at a faster pace than income, even though the reasons underlying the two mechanisms and their manifestations are completely different. Moreover, I have relied on qualitative evidence to show that these mechanisms drive the demand for credit by ratcheting up the consumption of goods that are not necessarily luxurious or visible to others, but in most cases just ordinary goods. As the analysis has shown, the consumption practices informing rising household debt might be inconspicuous forms of consumption, such as acquiring what is considered a standard package of durable goods, which are not necessarily used to cope with insecurity and market volatility.

These mechanisms widen financialization narratives, which so far have mainly been produced to account for Anglo-American capitalist societies. As long as the Chilean case represents a landmark in the implementation of neoliberalism, it shows that financialization unfolds as a heterogeneous phenomenon that, although it shares commonalities across borders, also has local or regional manifestations: persistent inequality, economic growth, and commodification interplay in historically situated ways that are embedded in local dynamics of consumption, social comparison, and shared values. In this way, concepts such as *relative poverty, spurious upward mobility,* and *relative deprivation* might be useful in accounting for the financialization of low- and middle-income groups in several Latin American countries, such as Argentina (Wilkis 2014) and Mexico (Angulo 2014; Villareal 2014), and in countries in other regions, such as India (Guérin et al. 2014) and Morocco (Morvant-Roux et al. 2014). Classical sociological concepts such as *relative deprivation* have been absent in existing explanations of the rise of household debt, even though they provide realistic and nuanced insights into the relationship between financialization and consumers' practices. *Spurious upward mobility* and *relative poverty,* in contrast, make visible the different trajectories followed by the rising middle classes across countries that experience economic growth alongside persistent levels of inequality and the consolidation of a subsidizing state, all of which are common in Latin America.

In any case, this article stands as a first exploration of these concrete social processes or mechanisms that are driving the demand for consumer credit in Chile. More research is certainly necessary in order to test the argument that consumer debt is used to bridge the gap between income and consumption standards. It is also necessary to further assess the role played by relative poverty and relative deprivation through quantitative methods (which is beyond the scope of this article). By the same token, in a more qualitative fashion, it is also necessary to investigate the argument that consumers not only emulate those above them in the social hierarchy, but also strive to perform an imaginary middle class. With regard to the rise in unsecured debt, however, this article demonstrates that indebtedness must be understood at the intersection of structural forces and the socially constructed standard of living, and that this phenomenon can hardly be reduced to a single logic.

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