

Developing financial consciousness reader

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Estimated reading time: 50 minutes



You will read about...

- Feelings that are most frequently connected to money
- Money-related attitudes and their importance
- Materialism

The text is edited from excerpts from:

- Baker, P., Hagedorn, R. (2008): Attitudes to money in a random sample of adults: Factor analysis of the MAS and MBBS scales, and correlations with demographic variables. *Journal of SocioEconomics* 37, 1803-1814.
- Furnham, A. (2014): *The New Psychology of Money*. Routledge
- Furnham, A., Wilson, E., Telford, K. (2012): The meaning of money: The validation of a short-types measure. *Personality and Individual Differences* 52, 707-711.
- Richins, M. L. (2004): The Material Values Scale: Measurement Properties and Development of a Short form. *Journal of Consumer research* 31/1: 209-219.

Attitudes to money

Research related to monetary attitudes is basically consistent and identifies 4-6 basic money-related attitudes that are based on feelings, cognitions and behaviours related to money, involving “power-prestige”, “distrust”, “anxiety”, “security” or “planning-saving”. Knowing about and being able to identify these attitudes is important as they affect our money-related decisions throughout our lives.

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What do we know about money-related attitudes?

There is a clinical, cognitive, developmental, differential and experimental psychology of money. Individuals who are capable in other areas of their lives appear to remain comparatively uninformed and embarrassed about money. In addition, studies show that parents rarely talk about money to their children and yet children acquire many of their monetary habits from their parents. Many studies and books point out significant sex differences in the perceptions and use of money in everyday life with women having more emotional and less “rational” behaviours with respect to their own money.

Baker and Hagedorn summarize early research on attitudes to money as follows.

In the 1970s, Wernimount and Fitzpatrick used a semantic differential instrument with a set of 40 adjective pairs. They found that seven factors represented the structure of those items, and concluded that **money has strong symbolic value, but means quite different things to different types of individuals**, with gender, economic status, personality type and occupation being the most significant predictors of attitudes. They labelled their factors as:

- shameful failure (lack of money is an indication of failure, embarrassment and degradation)
- social acceptability
- the pooh-pooh attitude (money is not very important, satisfying or attractive; discounting the importance of money)
- moral evil
- comfortable security
- social unacceptability
- conservative business values.

This study demonstrated that attitudes toward money are multidimensional; however, it did not generate any further research using the semantic differential approach.

Another early study with a very large sample (more than 20,000 respondents) but a flawed design (voluntary respondents in a Psychology Today survey; the data not subjected to useful statistical analyses) was by Rubinstein published in 1981. This identified:

- **free-spenders** (classified by statements such as: “I really enjoy spending money”; “I almost always buy what I want, regardless of cost” and reported being healthier and happier than self-denying “tight wads”)
- **penny-pinchers** (having lower self-esteem and expressing much less satisfaction with finances, personal growth, friends, and jobs. They also tended to be more pessimistic about their own and the country’s future, and many reported classic psychosomatic symptoms like anxiety, headaches, and a lack of interest in sex).

Rubinstein’s data did reveal some surprising findings. For instance, about half her sample said that neither their parents nor their friends knew about their income. Less than a fifth told their siblings. Thus, they appeared to think about money all the time and talked about it very little, and only to a very few people. Predictably, as income rises so does secrecy and the desire to cover up wealth. From the extensive data bank it was possible to classify people into:

- money contented (very/moderately happy with their financial situation)
- neutral
- money discontented (unhappy or very unhappy with their financial situation)

It seemed that the money contented ruled their money rather than let it rule them. When they wanted to buy something that seemed too expensive, for example, they were the most likely to save for it or forget it. The money troubled, in contrast, were more likely to charge it to a credit card. Note, too, how the money troubled appeared to have many more psychosomatic illnesses. Rubinstein also looked at sex differences. Twice as many working wives as husbands felt about their income “mine is mine”. Indeed, if the wives earned more than their husbands over half tended to argue about money. Contrary to popular expectation, the men and women assigned equal importance to work, love, parenthood, and finances in their lives. The men, however, were more confident and self-assured about money than the women. They were happier than the women are about their financial situation, felt more

control over it, and predicted a higher earning potential for themselves. Surveys such as Rubinstein's give a fascinating snapshot of the money attitudes, beliefs, and behaviours of a particular population at one point in time. It is a pity, however, that these results were not treated to more thorough and careful statistical analysis.

Others, however, have concentrated on developing valid instruments for use in psychological research in the area.

One of the **most thorough theoretically based attempts to measure attitudes toward money** was by Yamauchi and Templer at the same time. Their research was based primarily on Freudian and neo-Freudian theories that predicted three fundamental elements in such attitudes: "security", "retention", and "power-prestige". They generated 62 items reflecting these 3 domains, framed in a seven point Likert format. With their scale (referred to as the MAS, Money Attitudes Scale) the theoretically predicted dimension of "**power-prestige**" appeared as the first factor, but the other three significant factors, labelled by them as "**retention-time**", "**distrust**", and "**anxiety**" represented combinations of their original theoretical dimensions. The researchers were surprised to find that money attitudes were unrelated to income, but associations with other psychological measures (e.g. status concern, anxiety, time competence, and Machiavellianism).

The other widely used measure of attitudes to money is Furnham's "money beliefs and behaviour scale" (MBBS), which was first tested in 1984. Using a seven-point Likert format, Furnham developed a pool of 60 items taken from three sources: Yamauchi and Templer, Goldberg and Lewis, and Rubinstein. As a result of his research, a total of five factors emerged in the end, labelled

- **obsession** (those who agree with statements like "I feel that money is the only thing that I can really count on"; "I would do practically anything legal for money if it were enough"; "I am proud of my financial victories – pay, riches, investments", etc.)
- **power-spending** (those who agree with statements like "I sometimes buy things I don't need or want to impress people", "I sometime "buy" my friendship by being very generous with those I want to like me")

- **retention** (those who agree with statements like “I often say “I can’t afford it” whether I can or not”, “I often have difficulty in making decisions about spending money regardless of the amount”)
- **security-conservative** (those who agree with statements like “I always know how much money I have in my savings account”, “compared to most people that I know, I believe that I think about money much more than they do”)
- **inadequate** (those who agree with statements like “The amount of money that I have saved is never quite enough”, “My attitude towards money is very similar to that of my parents”)
- **effort/ability** (those who agree with statements like “I believe that my present income is about what I deserve, given the job I do”, “I believe that my present income is far less than I deserve, given the job I do”, “I believe that I have very little control over my financial situation in terms of my power to change it”).

Other researchers used the Furnham measure to investigate the relationship between self-esteem and money attitudes. They found, as predicted, that compulsive spenders have relatively lower self-esteem than “normal” consumers and that compulsive spenders have beliefs about money that reflect its symbolic ability to enhance self-esteem.

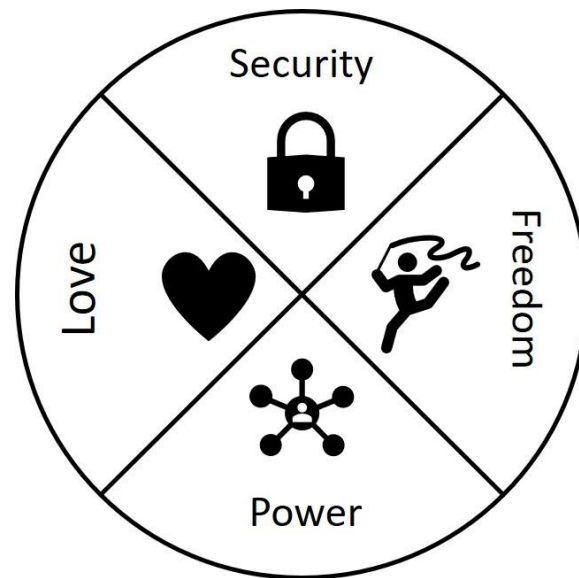
Another early research is important to mention. Many clinicians, particularly those with psychoanalytic leanings have written about the irrational, immoral and bizarre things that people do with, and for, money. Clinical psychologists in particular have identified the emotional meanings attached to money. **The four most common unique money-associated emotions have been identified as: security, power, love and freedom** by Goldberg and Lewis in the 1970’s based on qualitative descriptions of money-related behaviours (Figure 1). These key concepts are still used by researchers as a basis for exploring money-related attitudes. Furnham and his colleagues, following the original authors, describe these symbols as follows.

- Money, for many, can stand for **Security**. It is an emotional lifejacket, a security blanket, a method of staving off anxiety. Having money reduces dependence on others, thus reducing anxiety. Evidence for this is, as always, clinical reports and archival research in the biographies of rich people. A fear

of financial loss becomes paramount because the security collector supposedly depends more on money for ego-satisfaction. Money bolsters feelings of safety and self-esteem and so it is hoarded.

- Money also represents **Power**. Because money can buy goods, services and loyalty, it can be used to acquire importance, domination and control. With little money, these individuals feel weak, helpless and humiliated. Money can be used to buy-out or compromise enemies and clear the path for oneself. Money and the power it brings can be seen as a search to regress to infantile fantasies of omnipotence.
- Money for some is **Love**: it is given as a substitute for emotion and affection. Those who visit prostitutes, ostentatiously give to charity, spoil their children, are all buying love. Others sell it: they promise affection, devotion, endearment and loyalty in exchange for financial security. Money, through generosity, can be used to buy loyalty and self-worth but can result in very superficial relationships. Further, because of the reciprocity principle inherent in gift-giving, many assume that reciprocated gifts are a token of love and caring. According to the Freudians, the buying, selling and stealing of love is used as a defence against emotional commitment.
- For many people, money provides **Freedom**. This is the more acceptable and more frequently admitted attribute attached to money. It buys time to pursue one's whims and interests and frees one from the daily routine and restrictions of a paid job. For individuals who value autonomy and independence, money buys escape from orders and commands and can breed emotions of anger, resentment and greed.

Figure 1: Feelings that most frequently are disguised by money use



Source: Own construction

In their later study in 2012, Furnham et al used a questionnaire developed on the basis of the aforementioned symbols to measure money-related attitudes. As the researchers set out, their study, on a reasonably representative community-based population in the UK, showed that **participants associated money most strongly with security and least strongly with power**. However, results showed that males were identified as having significantly stronger affective associations between money and power than females. **Women seem to think of money in terms of things into which it can be converted whilst men think of it in terms of power.** The results indicated that some affective emotions of money more than others proved to be clearly related to the self-reported demographic and ideology data, none of which would have been predicted by psychoanalytic theory. Two of all the predictor variables, personal definition of individual annual earnings in order to be considered rich and participant gender, were consistently returned as the best predictors of the emotional underpinnings of money. Specifically, males were more likely than females to report an emotional attachment to money in terms of freedom, power and love and participants who stated high annual earnings for what it means to be rich were more likely to believe that money means freedom, power and love. Participants who, according to their own definition, reported lower annual earnings for the definition of 'being rich', were more likely to believe that money means (emotional) security. The finding that males were more likely to associate money

with love provides support for the gender-typed behaviour that men are less nurturing and caring and lends tentative support to the Freudian assertion that the buying, selling and stealing of love is used as a defence against emotional commitment. Also, it suggests that the desire to have more freedom and power from money is associated with lower (routine) work and pay. Educational attainment and political orientation were significant predictors of associations between money and freedom and money and power, always operating in the same way. Specifically, less well-educated participants and those with right wing political affiliations were more likely to associate money with power and freedom than better educated participants with left wing political affiliations. It is possible that individuals with a lower level of educational attainment perceive money as compensatory for a lack of education and thus the only viable way of acquiring freedom and power.

Von Stumm, Fenton-O’Creevy and Furnham used this measure and others to test over 100,000 British adults. They found that **associating money with power was positively associated and associating money with security was negatively associated with adverse financial events like bankruptcy, the repossession of house or car and the denial of credit**. Money attitudes were here largely **independent of income and education**. Viewing money as a power tool, a safety blanket, a way to receive and share love, or as an instrument of liberation had little to do with one’s financial means. Money **attitudes were not much related to financial capability, except for security, which was positively associated with three capabilities (i.e. with making ends meet, planning ahead, and staying informed)**. This suggests that people with a money-security attitude are also more capable of managing their resources than those who do not associate money with security. Power and security attitudes contributed most consistently to the odds of experiencing adverse financial events, albeit in opposite directions: while higher power was associated with an increase in risk, security was associated with a decrease. It is plausible that people who associate money with power try to demonstrate the latter by purchasing status symbols that are possibly beyond their means. Higher power was especially associated with the risk for car repossession: power-oriented individuals may purchase overly expensive vehicles to signal higher social status but fail to keep up with the repayments.

Since the original studies on the MAS and the MBBS, a number of researchers have either used those scales too in the original format, or have adapted them slightly. Baker and Hagedorn combined these two scales and tested it on a random sample of individuals, finding that their 40-item new scale (shown in Table 1) of money attitudes is easily interpretable, and the factors are each represented by 8–10 items, producing high reliabilities. They have named those factors

- **power-prestige**
- **frugality-distrust**
- **planning-saving**
- **anxiety.**

According to their results, overall, **age had the strongest correlations with the four factors.** The correlation with planning-saving was positive, while the others were all negative, as expected (the sample ranged in age from 18 to well over 65). Education, which ranged from “some high school” to “university graduate”, was consistently negatively correlated with the factors. The strongest association was with frugality-distrust surprisingly, the weakest was with planning-saving. Gender was not strongly related to either of the anxiety or planning-saving factors, but females scored significantly lower on power-prestige and on frugality-distrust. Finally, only the anxiety and frugality-distrust factors were correlated with total household income in this study. Respondents in households with higher incomes had slightly lower scores on frugality-distrust and anxiety.

Table 1: Items of MAS and MBBS combined scale in Baker and Hagedorn's research in 2008

Factor 1 "power-prestige"	I own nice things to impress others
	I sometimes boast about how much I make
	I purchase things I know will impress others
	I behave as if money is the ultimate success symbol
	I use money to influence people to do things
	I would do practically anything for money
	I spend money to make myself feel better
	I buy friendships by being generous
	I buy things I don't need to impress people
	I'm proud of my financial victories and let others know about them
	I think about money more than others do
Factor 2 "frugality-distrust"	I automatically say I can't afford it whether I can or not
	I complain about cost of things I buy
	When I buy something I complain about prices paid
	I often feel guilt spending money on necessities
	I often say can't afford it whether I can or not
	I tend to wonder if I could get same for less
	Money is the only thing I can really count on
	I'm better off than most of my friends think
	It bothers me to discover I could have get something for less
	I believe money can solve all my problems
	I often buy things I don't need because it is on sale
Factor 3 "planning-saving"	I do financial planning for the future
	I'm proud of my ability to save money
	I save now to prepare for my old age
	I follow a careful financial budget
	I put money aside on a regular basis for future
	I prefer to save, as I'm never sure when I might need it
	I keep track of my money
	NOT TRUE: if there is money left over at the end of the month, I feel uncomfortable until it is spent
	I always know how much is in my savings account
	I know to the penny how much is in my wallet

Factor 4 “anxiety”	The amount of money saved is never enough
	I am bothered when I have to pass up a sale
	Most friends have more money than me
	I have difficulties in making spending decisions
	I am nervous when I don't have enough money
	I am worse off than most friends think
	It is hard for me to pass up a bargain
	I show worrisome behaviour when it comes to money

Source: Baker and Hagedorn (2008).

Keller and Siegrist empirically derived four types in 2006 and looked at their stock investments. The types according to them are:

- **Safe players** who place high value on their personal financial security and on saving. They tend to be cautious in financial matters, planning most purchases carefully and large purchases intensively. They are thrifty and keep exact records of spending ... Safe players associate money with success, independence, and freedom. They are more interested in and self-confident about their handling of money than the open books and money dummies types. Safe players have a negative attitude about stocks, the stock market, and gambling, and they do not like to disclose information about their personal finances.
- **Open books** who are more willing to disclose information about their personal financial situations to others, but otherwise have little affinity for money. They have a low obsession with money, low interest in financial matters, and little self-confidence about handling money. They have a negative attitude toward stocks, the stock market, and gambling. but in comparison to safe players, the importance is low.
- **Money dummies** who also have a low affinity for money, a low obsession with money, and little interest in financial matters. They have a negative attitude toward stocks and gambling. However, compared to safe players and open books, money dummies do not believe it is unethical to profit from the stock market. Savings and financial security are not as important to money dummies as they are to safe players. Money dummies do not like to reveal information about their personal financial situations.

- **Risk-seekers** who have the most positive attitude toward stocks, the stock market, and gambling. Risk-seekers tolerate financial risk well, and would invest higher sums of money in securities. For risk-seekers, securities are not associated with loss or uncertainty. Risk-seekers associate money with success, independence, and freedom. They have more interest in money and more self-confidence in handling money than any of the other types. Predictably, they find financial security and saving less important than the other segments. Risk-seekers do not like to disclose information about their personal financial situations.

Over the years money attitudes as measured by scales presented above have been related to many variables.

For instance, Engelberg and Sjoberg hypothesised and found that those who were more emotionally intelligent were less money oriented. In a later study using the same Swedish students, they found that obsession with money was linked to lower levels of social adjustment.

Roberts and Sepulveda were interested in Mexican versus American attitudes to money and how they affected compulsive buying and consumer culture. They found that attitudes to saving and money anxiety predicted compulsive buying.

Christopher Marek and Carroll found a predicted link between money attitudes and materialism.

One study looked at the relationship of money attitudes and “social capital”, defined as the resources a person embeds in social relationships and which benefit them. Tatarko and Schmidt found that the more social capital a person had, the less obsessive – beliefs about its power, need to retain it, feelings of insecurity and inadequacy – they were with money. The authors argue that social capital provides social support and that when people do not have it they try to compensate by accumulating financial capital.

In a study in South Africa, Burgess found money attitudes were related to values. This power–prestige was related to low benevolence, self-transcendence and security.

One study looked at the factors that determined the money (financial resources) parents transferred to their children. Hayhoe and Stevenson found that parental money attitudes and values were one of the most important predictors along with parental resources and family relationships. On the other hand Chen, Dowling and Yap found that money attitudes were not related to gambling behaviour in a group of student gamblers.

Money locus of control

How do you make money and become rich? Is it a matter of hard work or chance, ability and effort versus fate and good fortune? Does fortune favour the brave? Are you captain of your ship and master of your fate? Or is the only way to become rich to win the lottery or be left money by a relative? There is an extensive literature on locus of control that concerns people's belief (generalised expectancy) that outcomes are within their control. **Internals believe that they are captains of their ship; masters of their fate; while externals believe it is powerful forces and other people as well as plain chance that influences behaviour.** There are numerous locus of control scales focusing on such issues as health. According to research, those who believe they were more in control of their wealth take part in more wealth-creation behaviour. Thus, locus of control seems to have self-fulfilling properties. Those who believe they can manage and increase their money do so; while those who believe wealth creation is a matter of chance leave it to fate.

Materialism

Materialism is the importance a person attaches to possessions and the ownership and acquisition of material goods that are believed to achieve major life goals and desired status such as happiness.

Possessions for the materialist are central to their lives, a sign of success and a source of happiness.

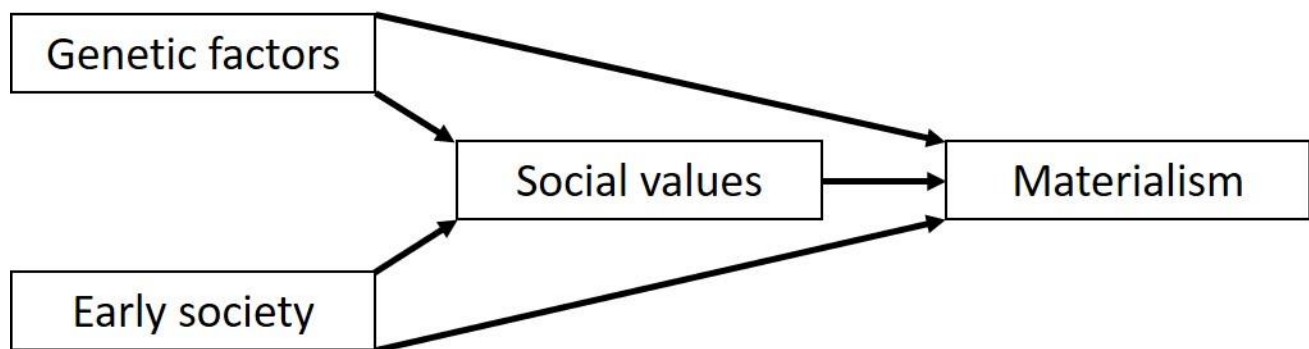
Materialism is seen as an outcome and driving force of capitalism that benefits society because it drives growth. However, there can be negative social consequences like economic degradation. Further, materialism for certain

individuals can increase their sense of belonging, identity, meaning and empowerment. We are what we own. Others argue that the ideology of materialism is misplaced and leads to individual and social problems like compulsive buying, hoarding, and kleptomania.

Certainly **societal attitudes to materialism vary over time** with secular and religious authorities often clashing. Many early Greeks, Medievals and Romantics condemned materialism, arguing that the pursuit of possessions interfered with the pursuit of the good. Thus, some see it as associated with envy, possessiveness and non-generosity while others see it relating to happiness and success – self-control and success versus spiritual emptiness, environmental degradation and social inequity. This is why “**postmaterialism**” is seen as a good thing. Equally there is the emergence of the new materialists who buy goods for durability, functionality and quality and who have an ambiguous, even hypocritical attitude to issues.

The above idea has been recently confirmed by Promislo and colleagues, who showed that materialism increased work–family conflict. Materialistic workers were more prepared to let their work interfere with their family. Research in this area suggests a model something like that shown in Figure 2.

Figure 2: Materialism and work-family conflict



Source: Furnham 2014, p. 163.

Other factors have been shown to play a part. It was shown that peer influence was important in determining adolescents’ materialistic attitudes along with parental communication, parental materialism and religious beliefs. Perhaps the easiest way to understand materialism is to see how it is measured by psychologists. The most well-known, and much used, **Materialism Values Scale (MVS)** was developed by

Richins & Dawson in the '90s to measure materialism in consumers. Since then, the scale has been used in numerous studies in the United States and elsewhere, and there now exists a substantial base of information about the psychometric properties of this scale and about its relationship to other consumer constructs. Materialism continues to be of great interest to scholars, social commentators, and public policy makers.

The **MVS treats materialism as a value that influences the way that people interpret their environment and structure their lives**. They conceptualized material values as encompassing three domains: the use of possessions to judge the success of others and oneself, the centrality of possessions in a person's life, and the belief that possessions and their acquisition lead to happiness and life satisfaction:

- **Acquisition centrality**: acquisition as central to life; a way of giving meaning and an aim of daily endeavours.
- **Pursuit of happiness**: the possession of things (rather than relationships or achievements) as an essential source of satisfaction and well-being.
- **Possession-defined success**: judging the quality and quantity of possessions accumulated as the index of success: he who dies with the most toys wins.

Table 2 presents the items that belong to each dimensions.

Table 2: The original MVS scale

Success	I admire people who own expensive homes, cars, and clothes.
	Some of the most important achievements in life include acquiring material possessions.
	I don't place much emphasis on the amount of material objects people own as a sign of success. (R)
	The things I own say a lot about how well I'm doing in life.
	I like to own things that impress people.
	I don't pay much attention to the material objects other people own. (R)
Centrality	I usually buy only the things I need. (R)
	I try to keep my life simple, as far as possessions are concerned.(R)
	The things I own aren't all that important to me.(R)
	I enjoy spending money on things that aren't practical.
	Buying things gives me a lot of pleasure.
	I like a lot of luxury in my life.
	I put less emphasis on material things than most people I know. (R)
Happiness	I have all the things I really need to enjoy life.(R)
	My life would be better if I owned certain things I don't have.
	I wouldn't be any happier if I owned nicer things.(R)
	I'd be happier if I could afford to buy more things.
	It sometimes bothers me quite a bit that I can't afford to buy all the things I'd like.
	I have all the things I really need to enjoy life.(R)
	My life would be better if I owned certain things I don't have.
	I wouldn't be any happier if I owned nicer things. (R)

Note: Those items with an (R) are reversed or anti-materialistic questions.

Source: Richins 2004

The authors also note the difference between instrumental and terminal materialism. The former is a sense of direction where goals are cultivated through transactions with objects, providing a fuller unfolding of human life, while the latter is simply the aim of acquisition. They also tested and confirmed various hypotheses such as the idea that materialists are selfish and self-centred and more dissatisfied and discontent with life.

Indeed, most studies of those who hold strong materialistic values show negative psychological correlates. For instance the greater the discrepancy between a

person's perceived actual and ideal self the more they take part in compulsive behaviour as a form of identity seeking.

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