

# Tightwads outnumber spendthrifts

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We all have a friend who can't seem to save, constantly splurging on new shoes or the latest gadgets. But, contrary to persistent media coverage of overspending and under-saving, a recent international survey of more than 13,000 shoppers suggests that chronic under-spending is far more widespread than originally thought. In fact, the study reveals that tightwads outnumber spendthrifts by a 3 to 2 ratio.

Appearing in the April 2008 issue of the *Journal of Consumer Research*, the study by Scott Rick (University of Pennsylvania), Cynthia Cryder, and George Loewenstein (Carnegie Mellon University) reveals that tightwads save, not because they care more about the future than spendthrifts, but because forking out the money is too painful of an emotional experience.

Therefore, those who experience the pain of spending money more intensely tend to spend less than they would ideally like to spend. On the other end of the 'Spendthrift-Tightwad' scale, spendthrifts typically experience minimal pain when spending money and tend to spend more than they would ideally like to spend.

“Spending differences between tightwads and spendthrifts are greatest in situations that amplify the pain of paying and smallest in situations that diminish the pain of paying,” the researchers explain. “The evidence suggests that frugality is driven by a pleasure of saving, as compared with tightwaddism, which is driven by a pain of paying.”

The researchers also found that tightwads and spendthrifts differ

demographically:

-- Females are no more likely to be tightwads than spendthrifts, but males are nearly three times more likely to be tightwads than spendthrifts.

-- Respondents under the age of 30 were only slightly more likely to be tightwads than spendthrifts, but respondents over 70 were five times more likely to be tightwads than spendthrifts.

Whether one is a spendthrift or a tightwad also predicts a wide range of spending behavior, the researchers found. Spendthrifts are no more likely than tightwads to use credit cards, but spendthrifts who use credit cards are three times more likely to carry debt than tightwads who use credit cards.

Annual income differs little between tightwads and spendthrifts, suggesting that the observed differences in debt are largely driven by differences in spending habits.

Interestingly, the researchers also found that tightwads are also most sensitive to marketing ploys designed to reduce the pain of paying. In one experiment, participants were asked whether they would be willing to pay \$5 to have DVDs shipped overnight. The cost was either framed as a "\$5 fee" or a "small \$5 fee." Spendthrifts were completely insensitive to the manipulation, but tightwads were 20 percent more likely to pay the fee when it was less painfully presented as "small."

"The research provides a new perspective on spending and saving money. Whereas traditional economic theory assumes that the propensity to spend or save is largely determined by the degree to which one cares about the future, this research suggests that spending and saving are driven, at least in part, by more immediate emotional concerns," the

researchers write.

The researchers administered the scale to more than 13,327 people, including 10,000 readers of The New York Times.

Source: University of Chicago

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