

## **The effect of poverty on making spending-oriented economic decisions and judgments – the mediating role of the state of reactance against restrictions on freedom due to financial status**

### **1 Research Project Objective:**

Poor people are more likely to make economic and consumer decisions that are unfavorable to them, such as taking out high-interest loans for expensive products. Poverty can be understood as a restriction of freedom, as monetary resources allow people to live the way they want. According to reactance theory, when something threatens people's behavioral freedom, they experience psychological reactance, i.e., a state that motivates them to restore their freedom. This research project will investigate whether poverty leads to a sense of restriction of freedom and the experience of reactance that motivates people to restore freedom by making economic decisions to spend money.

### **2 Research Objective:**

The research objective of this project is to expand scientific knowledge about why poor people are more likely than wealthy people to make spending-oriented economic decisions that may be detrimental to their financial status. We have formulated a series of research hypotheses based on which we assume that people who experience reactance (including the unpleasant physiological arousal that accompanies it) due to their financial distress will be more likely to make spending-oriented economic decisions. We assume that these reactions will be greater in people for whom freedom of choice is important, who like to have many choices, who tend to react with reactance, and who value having many material possessions.

### **3 Methodology used in the research project:**

We plan to conduct five studies within the framework of this project, in which we will use diverse methods to induce and measure the state of restriction of freedom due to limited finances. We have designed the following studies: experimental (studies 1-4), longitudinal (study 5), online (studies 1 and 5), laboratory (studies 2-3), and field studies (study 4). In study 3, we will measure advanced indicators of physiological arousal (e.g., heart rate) to determine the emotional response to the restriction of freedom of product choice due to having insufficient financial resources.

### **4 Expected results:**

We expect higher levels of perceived reactance due to financial distress in the participants in whom we will experimentally induce the freedom of choice restriction state compared to the participants in whom we will not induce this state. Greater reactance due to one's financial situation will, in turn, be associated with more frequent economic decisions directed at spending money. Such results suggest that poor people make unfavorable financial decisions (e.g., I take a loan to buy an expensive product) to regain the freedom of choice constrained by their financial situation. We expect these reactions to be stronger among people for whom freedom of choice is important, who like to have a lot of choices, who tend to react with reactance, and who value having many material possessions.

### **5 Significance of the project:**

Our project will bring innovative and groundbreaking advances in the development of social, economic, and consumer psychology, using diverse and advanced research methods to understand why poor people are more likely to make unfavorable economic decisions than rich people. Confirming our expectation that poor people experience limited freedom of product choice, which motivates them to regain this threatened freedom by taking out loans, will allow us to understand better the psychological determinants of remaining in a situation of financial deprivation. Moreover, the current project may provide a new direction for future research that can help poor people deal with their emotions so that they make economic decisions that are more beneficial to them.