The perception of economic inequality in everyday life:
My friends with the most and the least money

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Abstract

The study of perceived economic differences in everyday life is relevant to deepen the knowledge of how inequality shapes psychological processes. In the current research, Spanish undergraduates (*N*=547) were asked what their friends with the most and least money could do with their resources. Using a qualitative and quantitative approach, we performed a content analysis of the 1,085 open-ended responses given, ran latent class analyses with the coded material to identify groups of participants, and explored whether class membership was associated with their awareness of inequality and support for redistribution. Participants perceived inequality among their friends through daily indicators such as consumption, opportunities, leisure, and mental health; some participants used compensatory strategies to mitigate perceived inequality. Latent class analyses suggested that participants differed mostly in the attention paid to consumption and in the use of compensatory strategies. Exploratory analyses suggested that perceiving inequality in everyday life in terms of consumption, negative attributes towards the wealthy, or positive attributes towards low socioeconomic groups was related to acknowledging economic differences among individuals and support for redistribution. The study of perceived economic inequality in everyday life continues a new line of research with the potential to obtain results more consistent with people's experiences.

Keywords: perceived inequality, everyday life, reference groups, social class, economic inequality, latent class analysis.

Current societies are characterized by extreme and rising economic inequality. In global terms, half of the world's population owns only 1% of the world's wealth, while the richest decile owns 85% of it (United Nations, 2020). Despite its high relevance, social psychology has just recently started to analyze inequality (Jetten & Peters, 2019). Specifically, Spain exhibited a relatively high level of inequality within the EU (United Nations, 2020), and economic inequality will likely rise significantly as a consequence of the recent COVID-19 health crisis (Furceri et al., 2020).

This study has the purpose of qualitatively describing the perceptions of [x]economic inequality in everyday life and exploring their implications on the support for redistribution. Although previous studies have examined the consequences of perceived economic inequality, they have typically used abstract measures to do so. However, abstract measures, as the most popular measures of perceived economic inequality (e.g. figures depicting different forms that the economic distribution in a given society may adopt, Hauser & Norton, 2017; or perceived earning gaps between the earnings of high-status workers vs. the average in a factory line worker, García-Sánchez, Willis et al., 2018) seem to be far from participants' significant experiences that influence their behavior (Chawla, 1998; for some exceptions of these abstract measures and manipulations of economic inequality see Sánchez-Rodríguez et al., 2019). Indeed, research has shown that people perceive and evaluate reality according to the most accessible and prominent characteristics of their social circles (Dawtry et al., 2015), otherwise, they have some problems estimating such complex constructs as "economic inequality" (García-Castro, Rodríguez-Bailón & Willis, 2019). Therefore, in the current research, we delve into the perceived economic inequality by identifying the most salient dimensions of inequality that participants perceive in everyday life and relate them to their awareness of economic inequality and support for redistributive policies,

one of the measures more frequently used to assess people's demands for reducing inequality (ISSP, 2009).

Several studies have highlighted the need to focus on how people perceive economic inequality in their daily lives (Kraus et al., 2017; Mijs, 2019). However, few studies have qualitatively analyzed what people think and experience when coping with economic inequality around them (see García-Sánchez, Willis, et al. 2018; Pahl et al., 2007). To gain greater insight, the current study provides a qualitative approach. We argue that a qualitative approach will be useful to better understand the richness and complexity of the perceptions of income inequality and where these perceptions come from. This is also important because this qualitative analysis may be linked with citizens' demands for policies designed to redistribute wealth. In combination with it, we also quantitatively analyzed the data running a latent class analysis to identify clusters of participants related to their perception of economic inequality.

Perceived economic inequality in everyday life

Given inequality involves disparities in the wealth distribution between individuals and groups, we conceptualized perceived economic inequality in everyday life (PEIEL) in terms of social comparisons between individuals with the most and least resources (García-Castro et al., 2019). PEIEL refers to the daily events in which people perceive differences in the way resources are distributed among individuals and groups (Akyelken, 2020). People build their appraisals of social and political affairs through casual observation, direct interactions, and social comparisons with other individuals in different social contexts in their daily life (Mijs, 2019).

Despite it, individuals are generally misinformed of economic issues. They better understand and perceive economic matters that are close to them and their daily life experiences (Helgason & Mérola, 2017; Kraus et al., 2017). Individuals draw their

estimation of economic disparities from close others (e.g. family, friends, co-workers, etc; Evans & Kelley, 2017; Kanbayashi, 2019). Sometimes social circles function as accessibility heuristics according to which individuals form their perceptions of the broad social context where they live (Evans & Kelley, 2017; Kanbayashi, 2019). Findings show that citizens do rely on cues from their residential micro context when forming perceptions of the national economy. For example, having more unemployed neighbors is related to a more negative evaluation of the national economy (Bisgaard et al. 2016). In the same line, wealthier participants reported higher levels of wealth in their social circles and this was associated, in turn, with estimates of higher mean wealth in the wider population (Dawtry et al., 2015). Therefore, it seems that more significant measures of individuals' estimations of economic inequality have a greater impact on people's attitudes towards it.

Economic inequality and social comparisons

When people are asked how they perceive economic inequality, they compare social classes (e.g. the elite vs. workers) and refer to social exclusion, discrimination of disadvantaged groups compared to others, differences in work conditions, etc. (García-Sánchez, Willis et al., 2018). As posited above, PEIEL involves a process of social comparison within the reference groups (García-Castro et al., 2019). Such comparisons are important because people understand social processes and their place in the world through them (Condon & Wichowsky, 2020). The ingroup is the most important referent for people (Leach & Vliek, 2008). Indeed, it has been shown that the social circle's income is as much related to individuals' well-being as personal income (Ferrer-i-Carbonell, 2005).

Economic inequality triggers social comparison by increasing the frequency and consequences of such comparison (Brown-Ianuzzi & Mckee, 2019; Cheung & Lucas,

2016). In this study, friends are the reference points of social comparisons because of the emotional and cognitive closeness between friends; also because evaluations coming from them are frequent and important in people's lives (Leach & Vliek, 2008). Individuals usually have information about the problems, consumption habits, and life standards of their friends, as they are especially important while they are in high school and university (Buote et al., 2007). Moreover, comparisons are frequently related to material issues, and individuals are especially prone to comparing their lifestyle and forms of consumption with those close others with whom they share occupational contexts (Irwin, 2015; Pahl et al., 2007).

The process of perceiving economic inequality and its correlates

Everyday perceptions and social comparisons have relevant implications on how people understand inequality and respond to it (García-Sánchez, Willis, et al., 2018). The cognitive process of perceiving inequality involves two main processes: first, the evaluation of the magnitude of the economic differences, and afterward, the evaluation of the principles that govern the distribution of resources (Janmaat, 2013). In this line, people who perceive more inequality in their daily lives tend to consider that the level of economic inequality in their country is too large (García-Castro et al. 2019). Moreover, PEIEL, as it may be the case for people with higher incomes living in more deprived neighborhoods, is related to an increase of awareness of inequality and support for redistribution (Bailey et al., 2013). Awareness of inequality refers to the identification of differences in economic resources between groups and individuals (Elenbaas et al., 2020). Likewise, reference groups affect the level of support for redistribution (Dawtry et al., 2015), and people who make more social comparisons with friends with more and fewer incomes have more positive attitudes towards redistributive policies (Clark & Senik, 2010).

Current research

The present research has two goals. First, to identify which dimensions people use in their daily life for perceiving economic inequality when they are asked to do so from their friend's way of living. We asked participants[1] what their friends with the most and least money could do with the resources they had. We ran a content analysis to analyze the categories reported, and then, performed descriptive statistics to examine the frequency of appearance and associations of categories.

Second, we used Latent Class Analysis (LCA) on the coded data to identify groups according to their similarities in the way participants described the differences between their friends with the most and least money. Finally, we explore how latent class membership was related to their awareness of inequality and support towards redistribution. Given the descriptive and exploratory nature of the study, we did not have specific hypotheses. Instead, this study aims to provide insights to advance our knowledge in this emerging field of research. Supplementary Materials, the data corpus, and raw dataset are available at https://osf.io/xqdby/.

Method

Participants and data corpus

The sample was composed of 547 (*M*=21.85 years, *SD*=3.72, 51.1% female), Spanish university students. Participants were contacted in university libraries and through social media and were invited to voluntarily answer an anonymous questionnaire, no remuneration was offered. All participants provided informed consent before answering the questionnaire. Data were collected from November 2017 to April 2018 in three waves. Participants were asked to provide open-ended responses to the

following statement: *Please think about the friend who has the most financial resources and the friend who has the least financial resources. Describe what they can and cannot do with the resources they have. Tell us how financial resources influence their lives by writing at least one paragraph for each of these two people. Please DO NOT describe their attributes or characteristics (e.g. The way they are). We are especially interested in how economic resources influence their lives.*

Each participant provided two responses: one for the friend with the most resources and one for the friend with the least resources. In total, we obtained 1,085 responses (543 describing friends with the most resources, and 542 describing friends with the least resources), which composed a data corpus of 63,642 words. Open-ended responses were processed using content analysis techniques (Krippendorff, 2004).

Participants also answered questions about their awareness of inequality between their friends and their support towards redistribution. Both questions had a 7-point Likert response scale. Awareness of inequality was measured as the perceived economic differences among friends by using a single item: "How much economic difference is there between the people you described at the beginning?" (M=5.87, SD=1.12). Responses ranged from 1 (no difference) to 7 (a lot of difference). This item measures awareness of inequality because participants have to describe and determine the magnitude of economic differences between their friends. Perceived economic differences between groups and people have been used as an indicator of awareness of inequality in previous studies (García-Castro et al., 2019).

Support for redistribution was measured with three items evaluating the role of the government for reducing inequality (e.g., "The government is responsible for the reduction of income differences between people with high incomes and low incomes";

$\alpha=.74$, M=5.36, SD=1.23). Responses ranged from 1 (totally disagree) to 7 (totally agree). This is a widely used measure to identify redistributive preferences (e.g., Choi, 2019; Sainz et al., 2020).

We also included socioeconomic status to account for its influence on the relationship of class membership with both support for redistribution and awareness of inequality. Socioeconomic status was measured with a composite standardized index of the sum of monthly family income and the educational level of both parents (Diemer et al. 2013). Monthly family income in euros was coded into ten categories (1=below €560, 2=between €651 and €1300, 3=between €1301 and €1950, 4=between €1951 and €2600, 5=between €2601 and €3250, 6=between €3251 and €3900, 7= between €3901 and €4550, 8=between €4551 and €5200, 9= €5201 and €5800, 10=above €5801); the formal education level of parents was measured using a 5-point scale ranging: 1=no education, 2=primary studies, 3=secondary studies, 4=higher education, and 5=university studies. Participants took a mean of 15 minutes to answer the survey.

Procedure

The data analysis was conducted both from a qualitative and quantitative perspective for answering different research questions. In the qualitative analysis, we aimed to identify the main topics used by the participants for describing economic disparities between their friends. The responses were coded using a predefined category framework composed of six main categories based on a similar previous study (García-Sánchez, Willis, et al., 2018), their theoretical relevance, and the exploration of the raw material. The categorical framework was adapted to the Spanish context in previous research (García-Sánchez, García-Castro, et al., under review), in which categories that reflect context-specific issues were added (e.g., compensation). The main categories we used were: consumption, opportunities, leisure, compensation, mental health, and

justification of economic inequality. Each category included several subcategories that were used as indicators to facilitate the coding (See category framework in Table 1). Categories were not mutually exclusive, since participants could mention several categories in the same response.

[INSERT TABLE 1]

For the coding, the recording unit was each participant's response. Two coders were instructed to code the data, and double-checked their coding, according to the category framework. We estimated intercoder agreement and found substantial agreement in all categories, indicating appropriate reliability of the data (Krippendorff, 2004): Mental health, $\alpha_{Kripp}{}^2$=.89; Compensation, α_{Kripp}=.89; Consumption, α_{Kripp}=.93; Justification, α_{Kripp}=.83; Leisure, α_{Kripp}=.93; and Opportunities, α_{Kripp}=.91 (for other intercoder agreement indices, see Table S1 in the Supplementary Materials). Coding was supported by ATLAS.ti 8 software and the intercoder agreement was supported by the irr R package (Gamer et al., 2019).

In the quantitative approach, we aimed to respond to two additional research questions. First, we describe the prevalence of the identified categories to account for the most common topics mentioned by participants when talking about economic disparities. Then we explored whether the topics were related between them and other attitudinal variables. This strategy used a variable-centered approach that allows us to identify whether categories are expected to be associated, on average, with other categories and variables. As such, this approach assumes a homogeneous population, focusing on the positioning of the overall group of individuals on particular latent dimensions (Laursen & Hoff, 2006).

Second, considering that the topics mentioned by individuals can have different connotations for the people; we aimed to identify groups of people with similar perceptions of economic disparities. Thus, we used LCA to identify underlying latent classes of people based on the categories they used to describe their friends with the most and least resources. The input variables to estimate the latent classes were the presence of each category used when perceiving their wealthiest and poorest friends. Each category became a dichotomous variable (2=presence, and 1=absence), indicating whether participants used the category in their responses. LCA is a person-centered statistical tool that allows the identification of homogeneous groups of people that form latent classes and also exacerbates the heterogeneity between classes to differentiate them (Collins & Lanza, 2010). This tool is well-suited for describing common patterns of responses of individuals and thus establish classes of participants using similar categories on the way they perceive inequality in their social circles. Therefore, this strategy is more attuned to capture people's perspective, since it accounts for non-linear relationships between categories to identify groups of people with similar patterns in their responses (Laursen & Hoff, 2006). We used the poLCA package (Linzer & Lewis, 2011) implemented in R to perform the LCA.

Complementary, we examined whether class membership based on peoples' descriptions of economic disparities were related to awareness of inequality and support towards redistribution. Testing this association will allow us to provide insights into the social-psychological correlates of perceptions of inequality on political attitudes (e.g García-Sánchez, Osborne et al., 2020). Thus, we regressed awareness of inequality and support for redistribution on latent class memberships and explored whether such a relationship was conditioned by individuals' socioeconomic status. This interaction between latent class membership and socioeconomic status will help us to account for

the interplay between situational and subjective variables on people's attitudes towards inequality. Missing values were handled by using the listwise deletion method.

Results

Descriptive analysis

When participants responded how they perceived economic inequality by thinking about their wealthiest and least wealthy friends, they mainly referred to consumption (26.2%), opportunities (21.7%), leisure time (21.6%), and mental health (16.7%). Participants also used compensation strategies (11.3%), and justifications of inequality (2.2%) to describe their friends' lives. Figure 1 shows the frequency of each category (see Tables S2 and S3 in the Supplementary Materials for detailed information on the coding).

[INSERT FIGURE 1]

The category most frequently mentioned was consumption. The main consumption indicators were the privation of consumption (24.9%[3]), whims (20.9%), and clothes (15.7%). When thinking of their advantaged friends, participants stressed the possibility they have to buy whatever they want (i.e. whims), clothes, housing quality, and expensive vehicles. By contrast, when they referred to their least wealthy friends, the privation of consumption was the indicator most frequently mentioned, representing economic hardships.

> (…) it is easier for him/her, for example, he/she can go shopping and not skimp on price or quantity, he/she has a good mobile, a great house…
> (25:advantaged[4]).

> His/her economic resources are indispensable for mere survival
> (415:disadvantaged).

Another frequently used dimension was opportunities in life. The indicator most mentioned in this dimension was access to education (30.8%), followed by autonomy (17.4%), and the need to work (9.6%). These results are consistent with the sample of young university students, who tend to compare themselves with others in the relevant areas of their everyday life such as studies, freedom to decide what to do, independence from their parents, and the need to find a job.

Education highlighted the different opportunities between friends with the most and least money. The wealthiest friends were seen as having easy access to high quality and expensive (e.g. private) education, whereas the poorest friends were seen as having to access a certain level of education. Additionally, participants stressed the need for their poorest friends to work (e.g. to make ends meet, university payments).

He/she can freely decide between public or private education (11:advantaged).
He/she would like to study at the university but cannot afford to pay the fees and move outside his/her hometown (64:disadvantaged).

Another relevant topic was leisure time. In this category participants mainly mentioned topics such as traveling (35.1%), having fun (17.1%), and eating out (12.9%). Besides, people with high resources were perceived as having fun and eating in restaurants and bars very frequently while people with low resources were seen as having difficulties enjoying their time off.

Going on holidays to faraway destinations without thinking of the expenses (220:advantaged).

(…) not being able to go to restaurants, to the cinema, etc., limits their interactions with other people (119:disadvantaged).

The next category was mental health. Wellness appeared as the most mentioned topic (41.9%), followed by preoccupation (17.4%). Friends with the most money were perceived to have a high quality of life, mainly linked to lack of worry, whereas those with the least money were perceived as being worried about education and their financial situation.

(…) has more support and fewer worries to get ahead in life (72:advantaged).

His/her quality of life is quite low and he/she is always deciding what to spend and what not to spend his/her money on (458:disadvantaged).

The following category was compensation. Results showed that some participants associated negative characteristics to the friend with the most money (e.g. rich but miserable, cannot enjoy things nor buy happiness) (47.9%), whereas other participants attributed positive characteristics to the friend with the fewest resources (e.g. poor but happy, no need for anything else) (46.4%), and some identified with either one of their friends (5.6%).

He doesn't appreciate what he has and looks down on people while thinking he is superior (105:advantaged).

She can enjoy the little things of life, everyday life stuff, her family… (528:disadvantaged).

Finally, the least mentioned dimension was related to the justification of economic inequality. This includes meritocracy (47.5%), associating positive characteristics to the friend with most resources (e.g. effort, responsibility) (35.3%) or negative characteristics to the friend with low resources (e.g. lack of studies, poor money management) (13.4%).

He/she got their money through hard work and achieved great goals (…) (123:1).

He/she rejects jobs that would help him/her and waste the little money that enters his/her home (…) (238:2).

We examined the relationships between categories by conducting Pearson's Chi-square test. This technique allows testing whether two categorical variables are independent between them, along with the possibility of estimating the effect size of any potential association (Field et al., 2012). When people described their friends with the most money, we found that consumption was more likely to appear associated with leisure ($\chi^2(1) = 13.80$, $p < .001$, $OR = 2.34$, 95% $CI = [1.46, 3.73]$) but less likely to appear jointly with opportunities ($\chi^2(1) = 10.69$, $p < .001$, $OR = .35$, 95% $CI = [.17, .67]$). On the other hand, when people think about their friends with least money, we found that compensation was associated with a higher probability of using justification ($\chi^2(1) = 7.57$, $p = .005$, $OR = 2.46$, 95% $CI = [1.26, 4.84]$) and with less probability of mentioning opportunities ($\chi^2(1) = 9.5$, $p = .002$, $OR = .56$, 95% $CI = [.38, .82]$); and opportunities were less likely to be mentioned together with consumption ($\chi^2(1) = 13.45$, $p < .001$, $OR = .39$, 95% $CI = [.23, .65]$). Other associations between categories were not statistically significant under a $p < .003$, the threshold we used after applying a Bonferroni correction for multiple comparisons (see Table S4a).

As for the association between categories of PEIEL with the awareness of economic inequality and support redistribution, we conducted a point-biserial Pearson correlation and found that when participants used compensation elements linked to their friends with most resources—using negative attributes about the rich—, they were more likely to support redistribution ($r = .08$, $p = .04$). Also, when participants talked about their friends with the least resources, mentioning opportunities was related to being

more aware of the economic differences between their friends ($r = .16$, $p < .001$) (correlations are displayed in Table S4b).

Latent classes of perceived inequality according to the friend of reference

We analyzed participants' patterns of response and identified some profiles that describe the categories in which these groups of participants focus when describing their friend with the most and the least resources. A set of latent class models was fitted per friend of reference. The final models were selected following the recommendations of Collins and Lanza (2010) keeping the model with the lowest values of goodness-of-fit statistics (i.e., BIC and AIC) (see Table 3); the more interpretable distributions of conditional proportions between classes (see Table S5 in Supplementary Materials); and more parsimony in the light of theory. Thus, we decided to retain a three-class model for participants when they think about their friend with the most resources, and a two-class model for participants when they focused on their friend with the least resources.

[INSERT TABLE 2]

Regarding the way participants perceived economic inequality when thinking about the friend with the most resources, Class 3 was the most prevalent ($n=311$, 57.27%), followed by Class 2 ($n=158$, 29.09%), and Class 1 ($n=74$, 13.62%). Participants in Class 3 (the consumers) were more likely to describe their friend with the most resources by mentioning consumption (89.28%), leisure activities (80.92%), and access to opportunities (73.9%). Participants in Class 2 (the compensators) had a high probability of mentioning consumption (100%), but also of using compensation strategies (100%). Participants in Class 1 (the egalitarians) displayed a different pattern, given they did not have any probability of mentioning consumption (0%) and instead focused on having access to opportunities (95.23%) and mental health (66.67%). As

illustrated in Figure 2-Panel A, the main differences were found between Class 1 and both Classes 2 and 3, in terms of the probability to refer to consumption issues. Classes 2 and 3 had a similar pattern of responses in all the categories, except in the use of compensation strategies, where Class 2 reported a higher probability of mentioning it.

As for the two latent classes selected for the participants describing their friend with the least resources, most participants were assigned to Class 1 (n = 417, 76.94%), and the rest were assigned to Class 2 (n = 125, 23.06%). Latent Class 1 (the consumers/egalitarians) participants had a higher probability to use categories such as consumption (82.73%), leisure (64.04%), and opportunities (63.6%). By contrast, Class 2 (the compensators) participants had a high probability of describing their friend using compensation strategies (100%) and mentioning consumption (77.62%). In Figure 2-Panel B, the pattern of responses between classes was similar in all the categories except in compensation, being that Class 2 displayed a higher probability of mentioning it. Figure 2-Panel B depicts the probability of mentioning each category of friends for each latent class (see Table S5 for detailed percentages in all the estimated models).

[INSERT FIGURE 2]

Predicting awareness of economic inequality and support for redistribution according to latent class membership

Next, with exploratory purposes, we tested the main effects of each latent class on awareness of economic inequality and support for redistribution. We also included the interaction term with socioeconomic status, since it is a key factor determining participants' groups of reference and their perceptions (Evans & Kelley, 2017).

We used linear regressions to examine the correlates of class membership on attitudinal variables related to economic inequality. Since class membership is a

categorical variable, we used a dummy coding system to translate class membership

into valid predictors to include in the regression analyses, as suggested in the literature

(Field et al. 2012). Thus, when participants focused on their friend with the most

resources, we created a dummy variable comparing Class 2 (the compensators) and

Class 3 (the consumers) to Class 1 (the egalitarians). Latent classes were not directly

associated with support for redistribution, but there was an interaction between

socioeconomic status and Class 3. Simple slope analysis revealed that socioeconomic

status was negatively associated with support for redistribution for participants in Class

3 (consumers) ($b = -.17$, $SE = .05$, $t = -3.06$, $p < .001$), but was non-significant for

participants in Class 1 (egalitarians) ($b = .07$, $SE = .08$, $t = .82$, $p = .41$) (see Figure 3).

[INSERT TABLE 3]

[INSERT FIGURE 3]

As for awareness of economic inequality, we found that participants in Class 2

(the compensators) (vs. Class 1, egalitarians) were more likely to perceive greater

differences between their friends with the most and fewest resources (see Model 3,

Table 4). In other words, people who used compensation strategies (i.e., making

negative attributions on their advantaged friends) and used more consumption elements

when talking about their richest friends were more likely to acknowledge the differences

between their friends with different socioeconomic statuses.

From the perspective of latent classes of participants describing their friends

with the fewest resources, we created dummy variables to compare Class 2

(compensators) to Class 1 (egalitarians). We found no clear relationship between

participants in Class 2 and support for redistribution. However, participants in Class 2

(the compensators) had a negative main effect on awareness of economic differences

between friends: people focusing on compensation strategies (i.e. making positive attributions of their disadvantaged friends) and consumption were less likely to be aware of differences between friends with different socioeconomic status (for more details on this result, see Figure S1 in the Supplementary Materials).

[INSERT TABLE 4]

Discussion

The purpose of this research was to describe the perception of economic inequality in everyday life. We also identified how these dimensions grouped profiles of participants and explored how such clusters were associated with awareness of economic inequality and support for redistribution.

The main findings were that participants were aware of economic inequalities in their everyday life beyond strictly monetary issues. Participants perceived inequality through daily indicators such as consumption habits, access to opportunities, leisure time, and mental health. Some of them used compensation strategies and a few provided an explicit justification of their friends' economic resources. A latent class analysis allowed us to identify groups of participants who especially differed in attention paid to consumption behaviors and in the use of compensatory strategies.

Our results show that people are aware of status markers linked to goods and habits (Kraus et al. 2017). The main social comparisons are based on salient aspects of our environment such as consumption patterns (Irwin, 2015; Pahl et al. 2007). In line with previous research, consumption decisions are a central part of our daily life and do not just involve the purchase of basic goods but allow people to build lifestyles and differentiate them from others, communicating acquired status or social prestige (Dubois et al. 2020).

Besides, perceived economic inequality entails the awareness of unequal access to opportunities (Choi, 2019). Economic resources divide large social groups according to the possibilities they have to develop human capabilities. In societies characterized by inequality and social comparison, the opportunities that some groups have above others are highly salient in people's lives (Kraus et al. 2017). Indeed, previous research showed that PEIEL implies comparing the opportunities that some people have with those of others who do not have them (García-Sánchez, Willis, et al. 2018).

Results also showed that PEIEL can influence awareness of economic inequality and support for redistribution. On the one hand, from a variable-centered approach, we found that, on average, compensating their advantaged friends was associated with less support for redistribution. We also found that mentioning the lack of opportunities for their disadvantaged friends was related to more awareness of the economic differences between their friends. Though informative, these relationships should be interpreted with caution given people perceive inequality by combining categories. Thus, inspecting the combination of categories through latent class analyses can provide a more insightful perspective.

On the other hand, from a person-centered approach, although participants mostly agree on how they perceive economic inequality, our analysis allows us to construct groups based on the differences in the probability that participants mention consumption, opportunities, and compensation. Most participants perceived inequality in the same terms, but some of them engaged subtly to justify inequality by compensating for it (the compensators).

We also found that the latent classes were also related to awareness of economic inequality and support for redistribution. For instance, participants who referred more to consumption and used negative attributes towards the rich when talking about their

advantaged friends (the compensators) were also more aware of greater economic differences between their friends. By contrast, participants who used positive attributes towards the poor and mentioned less consumption when talking about their disadvantaged friends (the compensators), were less likely to perceive economic differences between their friends. In other words, participants were more likely to acknowledge greater economic differences when they perceived undeserving rich friends; and they belittled economic differences when they described deserving poor friends.

In previous studies, the compensatory strategies have shown to alleviate psychological distress (Jost, 2020; Kay & Jost, 2003) since perceived economic inequality in the reference group creates a threat to the self because of the cognitive dissonance generated by a social system that discriminates against some friends and rewards others. Besides, compensation displays a different function when the comparison is upwards or downwards. For example, compensating the disadvantaged friend by attributing him/her more positive features (e.g. poor but happy) made participants less aware of economic differences, suggesting that praising the poor might obscure their disadvantaged position. By contrast, compensating the advantaged by attributing more negative features to the advantaged friend (e.g. not appreciating what he/she has, wasting money) made participants more aware of economic differences, which could be interpreted as a way to raise concerns about inequality (Kay & Jost, 2003). Therefore, future research could explore the mechanism of the compensatory strategies to better predict perceived inequality and related variables.

According to the literature (Son Hing et al. 2019), we also found that when referring to the friend with most resources, socioeconomic status was negatively associated with support for redistribution, but only in the group that was more likely to

mention consumption, leisure time, and less compensation (the consumers). The main differentiating category was the use of compensation. In this case, it seems that participants of higher socioeconomic status, who attributed fewer negative features to the rich, showed less support for redistribution. As such, positive views of the rich people are a way to ease the moral outrage needed to demand measures to reduce inequality (Wakslak et al., 2007).

The results of the current research should be taken with caution because of the limitations of our study. First, the cultural features of the participants' context and the variability in their everyday life for perceiving inequality prevent us to generalize our findings to other contexts. In this line, a limitation of this research is that we analyze the perception of inequality with students from a single country. It would be worth exploring categories of perceived economic inequality with other samples. Nevertheless, in a globalized world, where capitalism is one of the most appealing ideologies (Piketty, 2020), consumption is one of the key variables when it comes to making social comparisons and represents inequalities (García-Sánchez, Willis, et al., 2018). We think that our findings could probably be important in other countries since subjective perceptions of inequality is not about how much money people earn exclusively, but about what services and commodities people can get access to.

A second limitation has to do with the exploratory nature of our study. Although our findings help us to generate hypotheses in this line of research, we still need to test them under a confirmatory framework. On the one hand, the formation of latent classes could vary due to the participants' personal experiences, which in turn can influence their attitudes towards inequality. Besides, the explicative power of the latent classes was relatively low, which indicates the need to account for other relevant variables (e.g.,

ideologies). Testing these ideas using a standardized categorical framework for identifying the classes can help to conduct more robust tests and gain explicative power.

Economic inequality is a global phenomenon and affects similar processes such as increasing social comparison (Cheung & Lucas, 2016; Condon & Wichowsky, 2019), relative deprivation (Hastings, 2019; Zheng & Walsham, 2008), and feelings of in/justice (Son Hing et al., 2019). However, cultural values can play multiple roles in this scenario. On the one hand, inequality can affect cultural values (Sánchez-Rodríguez et al., 2019), but cultural values can affect how people perceived inequality (Loveless & Whitefield, 2011). Additionally, different contexts can shape the effect of inequality on people's well-being (Du et al., 2019) as well as on societal consequences such as trust (Yang & Xin, 2020). Cross-cultural research should be addressed to disentangle the role of culture on the perception of inequality. Alternatively, it would be important to replicate the present study by controlling for the level of closeness and similarity between the respondents and their friends. Future studies should also explore specifically how these variables are related to the perceived economic differences within individuals.

Our results highlight that inequality is perceived in different ways but important elements are based on daily aspects of individuals' lives, such as consumption habits and compensation strategies. In short, the current qualitative and quantitative study on PEIEL opens the possibility of exploring the effects of economic inequality using data more attuned to people's experiences.

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Endnotes

1. This question was used in a previous study but the responses had not been analyzed before. The questions about awareness of inequality and support for redistribution were taken from the same previous study for other purposes, but have been analyzed again for the current research.
2. α_{Kripp}= Krippendorff's alpha.
3. These percentages refer to the indicators within each category.
4. The first number identifies the participant and his/her response number.

Tables

Table 1

Category framework

Category and definition	Indicators
Consumption: The action of buying products and services with money. Its function is to cover primary and secondary needs, real or fictitious (Dubois, Jung, & Ordabayeva, 2020).	● Cars ● Clothing ● Deprivations ● Exhibition ● Food ● Housing ● Quality of products ● Technology ● Whims
Opportunities: The advantages and disadvantages that are available in society because of the economic resources that people possess (Paes de Barros et al. 2009).	● Aesthetics ● Autonomy ● Businesses ● Domestic services ● Education ● Family ● Future ● Health ● Mobility ● Scholarships/grants ● Social capital ● Stability ● Work
Leisure time: The moments when there is no obligation to do any activity, and individuals can enjoy recreation and leisure (Mannell, Kleiber, & Staempfli, 2006).	● Diversity of activities ● Eating in restaurants and bars ● Fun ● Holidays ● Partying ● Social life ● Sports ● Time available ● Traveling

Table 1 (Continued)

Category and definition	Indicators
Mental Health: A state of subjective well-being that allows people to enjoy a good quality of life. It includes emotional stability and personal autonomy (World Health Organization, 2013).	• Alcohol and drugs (palliative) • Bets • Happiness • Personal satisfaction • Personality • Preoccupation • Relations • Resignation • Sadness/depression • Self-esteem • Stress/anxiety • Wellness
Compensation: A psychological strategy through which material deficiencies are compensated by attributing positive characteristics to people with fewer resources or negative characteristics to people with abundant economic resources (Kay & Jost, 2003).	• Identification • Negative attributes to high-status groups • Positive attributes to low-status groups
Justification of economic inequality: The conscious or unconscious motivation to maintain social inequalities, that is, the legitimation of economic differences (Jost, 2020).	• Meritocracy • Negative attributes with low-status groups • Positive attributes with high-status groups • System Justification

Table 2

Fit statistics for Latent Class Model Solutions of perceived inequality by social comparison

Friends	Number of Classes	AIC	BIC	G^2	χ^2	Entropy	MLL	DF
	2	3459.991	3515.854	58.887	59.499	3.162	-1716.991	50
Most resources	**3**	**3457006**	**3452.949**	**41.903**	**42.076**	**3.146**	**-1708.503**	**43**
	4	3465.504	3581,.26	36.400	36.375	3.131	-1705.752	36
	2	**3723.359**	**3779,198**	**82.848**	**93.286**	**3.410**	**-1848.680**	**50**
Fewest resources	3	3704.365	3790.270	49.854	45.41396	3.379	-1838.182	43
	4	3706.481	3822.453	37.970	37.311	3.367	-1826.24	36

Note. AIC = Akaike Information Criterion; *BIC* = Bayesian Information Criterion; G^2 = Likelihood ratio/deviance statistic; X^2 = Chi-square goodness of fit; *MLL* = Maximum log-likelihood; *DF* = Degrees of freedom. The selected model is indicated in **bold**. Regarding the Entropy, this statistic is a normalized measure that ranges between 0 and 1 when using the "Relative Entropy" equation (Ek) (Masyn, 2013); however, the R package used to fit the models use Entropy as a non-normalized measure of dispersion in a probability mass function, which ranges from 0 to "a maximum value equal to the logarithm of the total number of cells in the fitted cross-classification table" (Linzer & Lewis, 2011).

Table 3

Unstandardized regression coefficients of support for redistribution and awareness of inequality predicted by latent classes when considering friends with the most resources

Predictors	Support for redistribution						Awareness of inequality					
	M1			M2 + interaction			M3			M4+ interaction		
	b (SE)	95% CI	p	b (SE)	95% CI	p	b (SE)	95% CI	p	b (SE)	95% CI	p
(Intercept)	5.89	5.20 – 6.58	**<.001**	5.89	5.20 – 6.58	**<.001**	4.97	4.35 – 5.60	**<.001**	4.95	4.32 – 5.59	**<.001**
	(.35)			(.35)			(.32)			(.32)		
Age	-.03	-.06 – .00	.053	-.03	-.05 – .00	.078	.03	.00 – .05	**.029**	.03	.00 – .06	**.024**
	(.01)			(.01)			(.01)			(.01)		
Gender (female)	.12	-.09 – .33	.280	.10	-0.12 – .31	.378	.09	-.10 – .28	.351	.09	-.11 –.29	.376
	(.11)			(.11)			(.10)			(.10)		
Class 2 (C2, vs. Class 1)	.13	-.21 – .48	.448	.09	-.26 – .44	.623	.38	.06 – .69	**.018**	.34	.02 –.66	**.040**
	(.18)			(.18)			(.16)			(.16)		
Class 3 (C3, vs. Class 1)	-.01	-.33 – .31	.948	-.06	-.38 – .27	.728	.20	-.09 – .49	.177	.18	-.12 – .48	.235
	(.16)			(.16)			(.15)			(.15)		
SES				.13	-.09 – .35	.239				-.02	-.23 – .18	.830
				(.11)						(.10)		
SES x C2				-.22	-.49 – .04	.101				-.14	-.38 – .11	.265
				(.14)						(.12)		
SES x C3				-.24	-.47 – -.00	**.048**				.01	-.21 – .22	.934
				(.12)						(.11)		
Observations	533			511			533			511		
R² / R² adjusted	.013 / .005			.032 / .018			.021 / .014			.034 / .021		

Note. M=model; *b*=beta; *SE*=Standar Error; 95% *CI*=Confidence Interval, *p*=p value, SES= Socio Economic Status.

Table 4

Unstandardized regression coefficients of support for redistribution and awareness of inequality predicted by latent classes when considering friends with the least resources

	Support for redistribution						Awareness of inequality					
	M1			M2 + interaction			M3			M4+ interaction		
Predictors	*b (SE)*	*95% CI*	*p*	*b (SE)*	*95% CI*	*p*	*b (SE)*	*95% CI*	*p*	*b (SE)*	*95% CI*	*p*
(Intercept)	5.94 (.32)	5.30 – 6.58	**<.001**	5.89 (.33)	5.25 – 6.54	**<.001**	5.28 (.30)	4.70 – 5.86	**<.001**	5.28 (.30)	4.69 – 5.87	**<.001**
Age	-.03 (.01)	-.06 – .00	.051	-.03 (.01)	-.05 – .00	.081	.03 (.01)	.00 – .05	**.037**	.03 (.01)	.00 – 0.05	**.044**
Gender (female)	.14 (.11)	-.07 – .35	.184	.13 (.11)	-.08 – .35	.216	.09 (.10)	-.10 – .28	.347	.11 (.10)	-.09 – 0.30	.275
Class 2 (vs. Class 1)	-.08 (.13)	-.33 – .17	.518	-.13 (.13)	-.38 – .13	.331	-.23 (.12)	-.46 – .00	.053	-.26 (.12)	-.50 – -0.03	**.027**
SES				-.09 (.04)	-.16 – 0.01	**.030**				.01 (.04)	-.06 – 0.08	.730
SES x C2				.01 (.07)	-.13 – .14	.937				-.18 (.06)	-.30 – -0.06	**.004**
Observations	532			510			532			510		
R² / R² adjusted	.011 / .006			.024 / .014			.017 / .012			.042 / .032		

Note. M=model; *b*=beta; *SE*=Standar Error; 95% *CI*=Confidence Interval, *p*=p value, SES= Socio Economic Status.
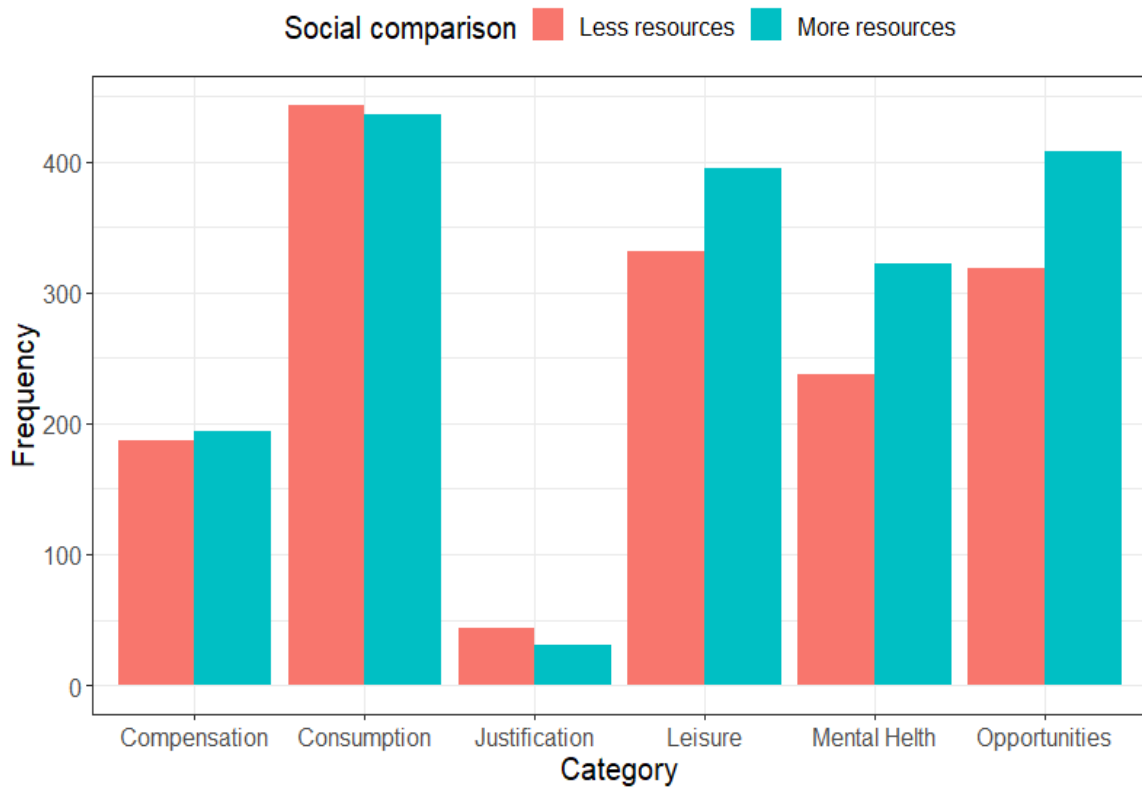
Figures

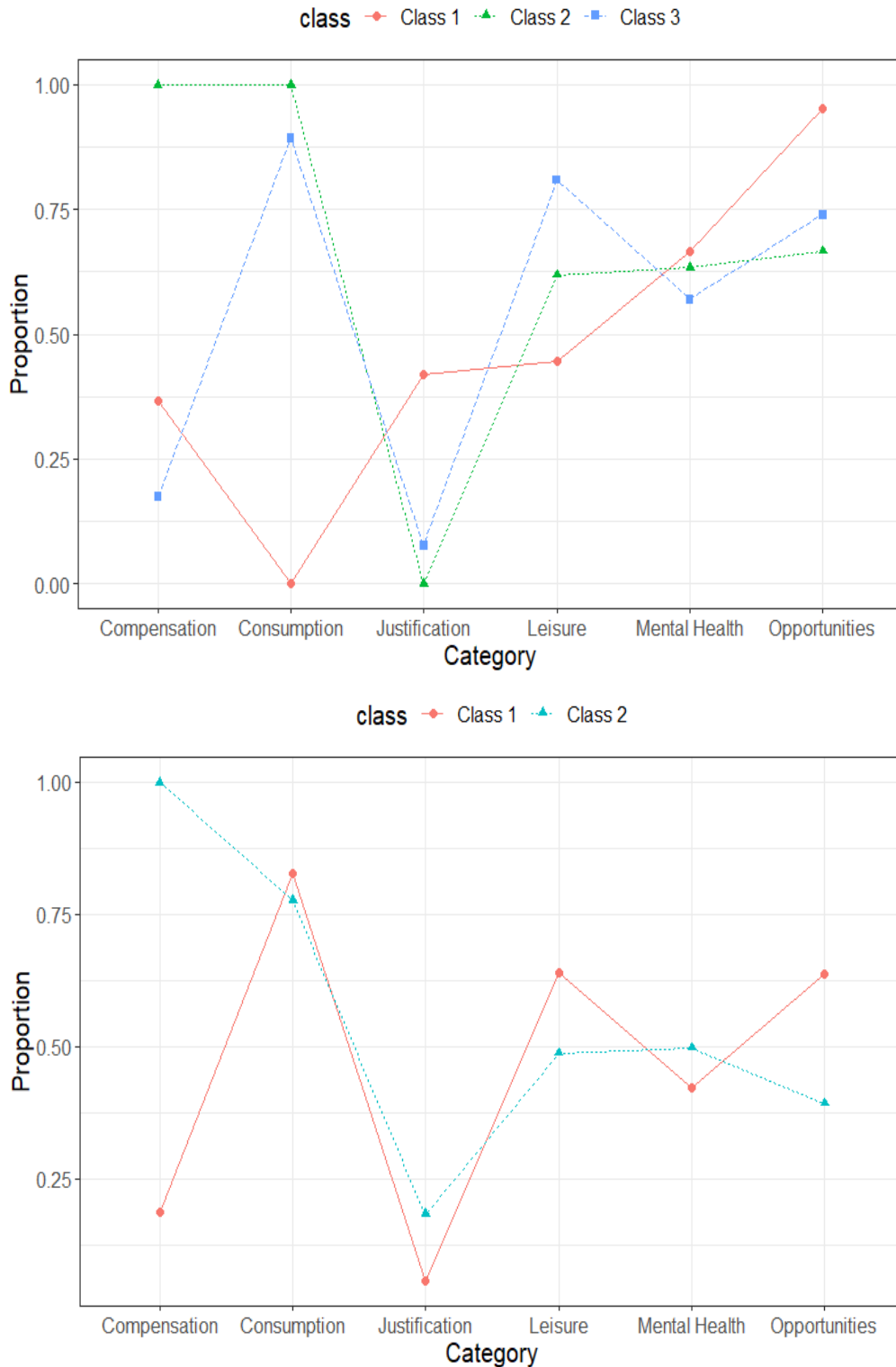Figure 1. Category frequency as a function of social comparison.

Figure 2. Probability of responses to each category as a function of latent class membership in inequality perception focusing on friends with the most resources (upper panel), and the least resources (lower panel).
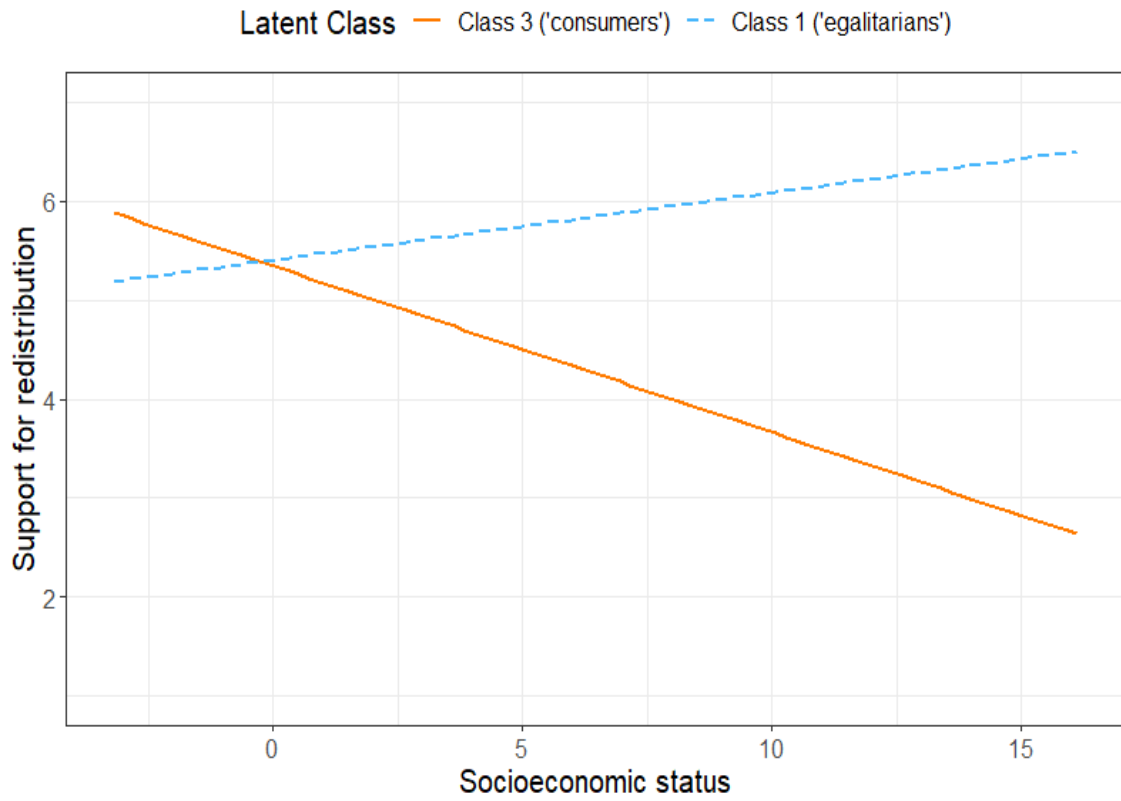
Figure 3. Marginal effects of socioeconomic status on support for redistribution conditioned by latent class membership when describing friends with more resources.