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Exploited and Empowered Inclusion: Contesting the Flawed Consumer in the United States

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Compared to affluent consumers, the consumption practices of poor and low-income consumers have received less attention in the global North, where they have been marginalized as flawed. This paper hopes to address this neglect by providing an exploratory profile of poor and low-income consumers in the United States. It will challenge that these consumers are flawed by explaining how they participate in consumer society via ex-ploitative inclusion and empowered inclusion. It concludes by suggesting ways that less affluent consumers can experience expanded empowerment.

Keywords: poor and low income consumers, poverty industry, poverty premium, discount retailers, windfall spending

According to Thorstein Veblen, "no class of society, not even the most abjectly poor, forgoes all customary conspicuous con-sumption" (1994, p. 40). However, little contemporary research has examined the consumption practices of poor and low-income con-sumers, especially in affluent societies like the United States (excep-tions: Ekström & Hjort, 2009; Hamilton & Catterall, 2005; Hill, 2002, 2008; Hohnen, 2017; Leipämaa-Leskinen et al., 2016). One reason for this neglect is that poor and low-income consumers have been categorized as "flawed" or "failed" because they are thought to possess insufficient discretionary income—and therefore the power of choice—to adequately participate in consumer society (Bauman, 2005, 2007; Lawson, 2009). Bauman, in particular, contends that flawed consumers are deviants who suffer social exclusion because of their material vulnerability, or inability to purchase the "right" consumer goods "that are considered necessary to be a member of society" (Ekström & Hjort, 2009, p. 700; Pugh & Miller, 2015). He suggests that unlike the poor in a production-dominated society, who serve a role via reserve labor as potential workers, the poor in a consumer society are completely useless because without purchasing power they have no role to play (Bauman, 2005, 2007; Pugh & Miller, 2015).

This paper will challenge Bauman's notion that most poor and low-income consumers are flawed by explaining how they are included in the marketplace in both exploitative and empowering ways (2005, 2007). It will begin by using quantitative data from the Bureau of Labor's U.S. Consumer Expenditure Survey, the U.S. Energy Information Administration, and the U.S. Census Bureau's Current Population Survey to provide an explanatory profile of poor and low-income consumers in the U.S. and will demonstrate that while financially insecure, these consumers are not flawed. Not only do they participate in consumer society, their consumer behavior is comparable to more affluent consumers in terms of the general categories of products they purchase. However, consumer inequality often constrains where (and how often) they can shop and the quality of products they purchase. The next section discusses the "exploitative inclusion" that poor and low-income consumers confront in the marketplace—in particular, the poverty premium charged by businesses that profit from exploiting poor and low-income consumers' constraints (Caplovitz, 1963; Caskey, 2005; Desmond, 2016; Fellowes, 2007; Rivlin, 2010; Sturdivant, 1969). The following section integrates qualitative evidence from various published research to explain how poor and low-income consumers experience "empowered inclusion" through boosts to their discretionary income (including receiving their annual earned income tax credit and "windfall" money), relying on social capital, and patronizing businesses that do not charge a poverty premium (Alkon et al., 2013; Leipämaa-Leskinen et al., 2016; Pugh, 2009; Sykes et al., 2015; Tach et al., 2019). The paper concludes by suggesting ways that poor and low-income consumers can experience greater empowerment and more fully participate in consumer society while avoiding exploitation.

Poor and Low-Income Consumers in the United States: An Exploratory Profile

Though Bauman's flawed consumers may exist in a small segment of the population, empirical evidence confirms that most poor and low-income consumers[1] are not flawed in the sense that they are excluded absolutely from consumer society (2005, 2007). The official 2019 poverty guidelines were $12,490 for one person, $16,910 for two people, $21,330 for three people, and $25,750 for four people, which are prohibitively low in terms of potential purchasing power (Assistant Secretary for Planning and Evaluation, 2019). However, these numbers do not capture money distributed via the earned income tax credit (EITC) or benefits from other means-tested government programs, including Temporary Assistance for Needy Families (TANF), the Supplemental Nutrition Assistance Program (SNAP), Medicaid, and Section 8 housing vouchers. Importantly, the official poverty guidelines are based solely on income and fail to measure the consumption poverty rate, which has declined from 30 percent in 1960 to 3 percent in 2016 (Meyer & Sullivan, 2018). The consumption poverty rate derived from the U.S. Consumer Expenditure Survey and the U.S. Current Population Survey measures products and services that households are able to buy—such as food, housing, and durable goods—and may be more accurate than income in evaluating the material conditions and relative deprivation of households (Meyer & Sullivan, 2018). Given that poverty is temporary for the majority of individuals who experience it (Iceland, 2013), consumer goods (particularly durable ones) purchased when individuals are above the poverty line often remain in their possession when they fall below it, too.

Data show that poor and low-income households contain many of the same types of consumer goods as more affluent ones (see Table 1). For example, 92 percent of households below the official poverty line owned microwaves, 98 percent owned televisions, 50 percent owned personal computers, and 43 percent had internet access (Iceland, 2013; U.S. Energy Information Administration, 2009). In addition, 99 percent of poor households owned a refrigerator, 66 percent owned a clothes washer, 60 percent owned a clothes dryer, 96 percent owned a telephone, and 82 percent owned an air conditioner. Surprisingly, 75 percent owned a vehicle and 41 percent owned their own home (Iceland, 2013; U.S. Census Bureau, 2011).

Table 1. Percentage of Consumer Goods in Poor and All Households.

Consumer Good	Percentage of Poor Households	Percentage of All Households
Home	41	68
Vehicle	75	92
Refrigerator	99	100
Clothes Washer	66	84
Clothes Dryer	60	81
Telephone	96	98
Air Conditioner	82	87
Microwave	92	96
Television	98	99
Personal Computer	50	76
Internet Access	43	71

Note. Adapted from Iceland (2013), p. 46.

According to Attanasio and Pistaferri (2016), data from the Consumer Expenditure (CE) Survey[2] conducted by the Bureau of Labor Statistics demonstrate that over time there has been a convergence between the rates of ownership in consumer durables between the top and bottom income deciles. CE Survey data show that there are little to no discernable differences between the ownership of cooking durables, refrigerators, and entertainment durables (televisions, DVD players, sound systems) in low- and high-income households. The cost of many basic consumer goods—such as color televisions, vacuum cleaners, and toasters—has decreased over the years, providing the opportunity for the poor of the early 21st century to enjoy a higher standard of living than the middle class did in the early 1970s (Horwitz, 2015). After examining the price for nondurable goods across different income groups between 1994 and 2005, Broda and Romalis (2009) found that lower income groups experienced less inflation for nondurables than higher income groups. Thus, even as wages have been slow to increase over the past several decades, the low prices of many consumer goods have helped many poor and low-income consumers avoid being flawed.

Poor and low-income consumers are also experiencing growth in transportation, housing, and education. In the past few decades vehicle ownership rates have increased faster in lower-income households than in more affluent ones: 22 percent compared to just 2 percent between 1985 and 2005, respectively (Fellowes, 2007, p. 434). According to data from the U.S. Census Bureau's 2016 American Community Survey, only 20 percent of individuals living below the poverty line did not have access to a vehicle (Vock, 2018). Fellowes (2007) discovered home ownership rates among lower-income households have also expanded due to changes in public policy, such as the Community Reinvestment Act of 1977, and transformations in financial lending. The number of mortgages sold to higher-income households in the 1990s rose only 52 percent compared to the rise of 90 percent in lower-income households (Fellowes, 2007, p. 435). Furthermore, more individuals from low-income households are attending institutions of higher education. Recent Pew data show that the increased enrollment of undergraduates at U.S. colleges and universities has been "fueled almost exclusively by an influx of students from low-income families and students of color" (Fry & Cilluffo, 2019, para. 1). In 1996, only 12 percent of undergraduates were in poverty, compared to 20 percent in 2016 (Fry & Cilluffo, 2019).

Table 2. Percent of Annual Household Spending by Income.

Expenditures	Bottom 20%	Top 20%
Housing	40	30
Food	15.6	11.2
Transportation	13.4	15.5
Entertainment	4.9	5.9
Apparel and Services	3.4	3.1
Education	3	3.8
Cellular Phone Service	1.9	1.5
Pets	1	1.3
Furniture	.8	.9
Major Appliances	.5	.4
Small Appliances	.2	.2
Reading	.2	.2
Toys, Hobbies, and Playground Equipment	.2	.2

Note. Adapted from CE Survey (2017).

Unsurprisingly, wealthy consumers have more money to spend on goods and services than poorer consumers. U.S. households in the highest income quintile ($188,103) spend $116,988 annually, while households in the lowest income quintile ($11,394) spend $26,019 (CE Survey, 2017). However, on average, all consumers spend most of their income on housing, food, and transportation (Bureau of Labor Statistics, 2018). Data from the 2017 CE Survey indicate that the lowest-earning 20 percent of U.S. households spend an equivalent percentage of their income on many goods and services (including reading materials, education, furniture, major and small appliances, apparel and services, and entertainment) as the highest-earning 20 percent does. More specifically, rich and poor households spend approximately 19 to 20 percent of their food budget on fruits and vegetables, 16 to 18 percent on meats and poultry, 13 percent on cereals and bakery products, 10 percent on dairy products, and 3 percent on fish and seafood (CE Survey, 2017). Like their higher-earning counterparts, the lowest-earning households are increasingly eating out or spending more money on “food away from home.” In 2017 the lowest-earning 20 percent of households spent 5.7 percent of their food budget on food away from home compared to 5.5 percent of the highest-earning 20 percent of households (CE Survey, 2017).

While lower-income households, including those below the official poverty line, clearly possess at least marginal purchasing power to consume goods and services beyond basic necessities, they undoubtedly have less discretionary income than more affluent households do. Engle’s law holds that poorer households spend a higher percentage of their income on food than wealthier ones do (15.6 percent compared to 11.2 percent in 2017, respectively) (CE Survey, 2017). They spend considerably more of their income on housing, too—40 percent of their income compared to the 30 percent that higher-earning households spend (Desmond, 2016; see Table 2). Therefore, though they may not be flawed in the exact way that Bauman (2007) suggests, poor and low-income consumers can encounter difficulties achieving “normal” consumption patterns due to their limited purchasing power beyond food and housing (Hamilton, 2009). Thus, their inclusion in the consumer marketplace is not necessarily equal.

Furthermore, the data discussed does not capture the quantity or quality of consumer durables (Attanasio & Pistaferri, 2016). Poor households may own one used (and perhaps unreliable) vehicle, while wealthy households may own several new ones. Their homes may be located in high crime areas or in need of major repairs that they cannot afford. Students who are impoverished are more likely to attend public two-year colleges and less selective four-year colleges (Fry & Cilluffo, 2019). Price differentials can also be difficult to discern from the available data on consumer expenditures. It appears low-income consumers often pay more for goods and services than middle- and high-income consumers and are more likely be indebted as they spend more than they earn, on average. Thus, though data show a trend in convergence between lower- and higher-income households, it may mask consumption inequality and the exploitation of poor consumers in the marketplace. As the following section discusses, poor and low-income consumers might be included in consumer society, but in a separate and unequal way.

Exploitative Inclusion

While not flawed, poor and low-income consumers confront challenges as a result of their economic insecurity, which make them vulnerable to exploitation. Their consumer decisions are constrained not just by limited income, but by stable income. Irregular pay makes it difficult for less affluent consumers to maintain predictable budgets (Pugh, 2009). Geography constrains the purchasing decisions of some poor and low-income people who lack access to reliable transportation (Talukdar, 2008). Landlords, rent-to-own retailers, payday lenders, check-cashing outlets, and pawnbrokers often take advantage of these constraints and exploit poor consumers by charging them a "poverty premium" for goods and services (Caplovitz, 1963; Caskey, 2005; Desmond, 2016; Fellowes, 2007). This premium includes both higher prices and often lower-quality goods and services. In the words of James Baldwin, it is "extremely expensive to be poor" and businesses that are part of the "poverty industry" profit from exploiting the difficulties that poor and low-income consumers confront (Rivlin, 2010; Sturdivant, 1969, p. 1).

The Poverty Premium

Andreasen (1975, p. 26) argues that poor consumers suffer from "sources of outrageous consumer exploitation." One of the main sources of exploitation is unscrupulous businesses that charge poor consumers high prices for often low-quality products and fringe financial services. This so-called "poverty premium" is one way that businesses justify their exploitation of poor consumers, claiming that this premium is a form of compensation for the cost of shoplifting and the higher business insurance rates they must pay to operate their stores in low-income areas (Chung & Myers, 1999; Talukdar, 2008). Studies have found that poor consumers pay more for food, housing, vehicles, and consumer durables than more affluent consumers (Alwitt & Donley, 1996; Baradaran, 2015; Brookings Institute, 2006; Caplovitz, 1963; Desmond, 2016; Fellowes, 2007; Hill, 2008; Pew Charitable Trusts, 2016). Due to limited options, some people who reside in low-income areas are forced to pay, on average, 41 percent more for similar goods and services than those who live in more affluent areas (Hill, 2002, p. 214). Talukdar (2008) found that prices for everyday items are 10 to 15 percent higher in poor neighborhoods compared to more affluent ones, though after controlling for store size and competition, this poverty premium decreases to between 2 and 5 percent. Those who rely on rent-to-own stores for durable goods, like appliances, electronics, and furniture, also pay a hefty premium—often up to twice as much—for the exact same product (Fellowes, 2007; Jayakumar & Richards, 2017). Jayakumar and Richards (2017) compared the prices of 39 products at the national rent-to-own retailer, Rent-A-Center, and major mainstream retailers in 48 states and the District of Columbia. They found that prices at Rent-A-Center were higher for every product they analyzed, including $601 more for a Sony PlayStation Pro 4 console, $580 more for a Dell 15.6-inch Inspiron laptop, and $931 more for an Amana top-load washer and dryer. Unsurprisingly, Rent-A-Center charges higher interest rates on product leases in states that restrict excessive price markups (Jayakumar & Richards, 2017).[3]

Predatory Lending: Home Mortgages, Automobile Loans, and Payday Loans

Many poor consumers experience limited financial capability as they lack financial literacy and access to mainstream financial products and services (Caplan et al., 2018). The unbanked often pay more for loans and other financial services; their economic insecurity and constrained financial capability situate them as vulnerable targets for predatory lending practices, like subprime mortgages, car-title pawns, and rent-to-own schemes (Baradaran, 2015; Brookings Institute, 2006; Caplan et al., 2018; Caskey, 2005; Hill, 2008; Rivlin, 2010). Lending to poor consumers is risky because they are more likely to miss payments and default on loans, which is why many fringe banking services claim they need to charge a poverty premium in the form of high prices, high interest rates, and non-refundable down payments, and by holding automobile titles as collateral. High-cost credit and premiums associated with household residency are poverty premiums that are largely imposed on poor consumers because of choice constraints (Corfe & Keohane, 2018). Clearly, it is difficult to move one's residency to avoid paying poverty premiums, especially if it likely means a lateral move to another low-income area.

Given the option between no credit and credit with high and/or adjustable interest rates, most consumers will choose the latter, particularly if it provides the means to home ownership. This was evident in the years leading up to the home mortgage crisis and ensuing 2008 recession. Aggressive lending to "marginal borrowers" caused an "explosion" of household debt, which doubled to reach $14 trillion between 2001 and 2007 (Mian & Sufi, 2014). Mian and Sufi (2014, p. 76) found that between 2002 and 2005, mortgage application denial rates dropped from 42 percent to less than 30 percent in low-income zip codes. The number of home mortgages grew 30 percent in these zip codes compared to 11 percent in high incomes ones. The growth of mortgages in these low-income areas occurred at the same time that average income decreased, creating a situation where "mortgage–credit growth and income growth became *negatively* correlated" (Mian & Sufi, 2014, p. 76). The exploitative character of these mortgages was made evident when lenders approved NINJA (no income, no job, no assets) mortgage applicants, who were subject to subprime terms. When adjustable rates increased, many victims of predatory mortgage lending had no option but to default on their loans and face foreclosure. A large number of these individuals were forced into an increasingly tight rental market, where the lowest-earning households spent almost half of their income on rent in 2014 (Desmond, 2016; Pew Charitable Trusts, 2016).

In addition to home mortgages, poor and low-income consumers historically have paid a premium for automobiles and automobile loans. Lower-income households pay between $50 and $500 more in price for a vehicle and 2 more percentage points on auto loans compared to more affluent households (Brookings Institute, 2006, p. 35). Data from the 2004 Survey of Consumer Finances found that lower-income households paid an average APR of 9.2 percent on an auto loan, compared to 5.5 percent in higher income households (Fellowes, 2007, p. 441). J.D. Byrider, the nation's largest used-car franchise, uses software that automatically assesses a consumer's financial risk and prices its products and services accordingly—the higher the risk, the higher the down payment and interest rates. While Byrider justifies this practice by arguing that it is providing access to a product that is a necessity for many low-income consumers, critics contend that it exploits the unbanked

(Grow & Epstein, 2007). Given that the poor pay more for vehicles, it is not surprising that they also pay more for auto insurance, which is more expensive in lower-income areas than in higher-income ones. The average cost of auto insurance across 11 metro areas for low-income consumers was $831, while it was only $680 for more affluent consumers, in 2006 (Brookings Institute, 2006, p. 36).

Compared to affluent consumers, lower-income consumers are more likely to use their car titles as collateral for short-term, high-interest loans. Single-payment vehicle lending is basically a way for consumers to pawn their cars for a one-time loan, which they must pay back between two weeks or one month, depending on the terms of their lender. The lender holds the title of their car until they repay their loan and can repossess the car if the borrower defaults. The average car title loan is $700 and the average APR is 300 percent. Only 12 percent of borrowers pay off their initial loan in time; 20 percent of borrowers have their cars repossessed, while the rest become indebted with additional loans (Consumer Finance Protection Bureau, 2016). According to Pew Charitable Trusts (2015), 2 million Americans use single-payment vehicle loans each year, spending a total of $3 billion, including extra financial fees and interest.

Perhaps the most exploited way that poor and low-income consumers find the means to participate in consumer society is by obtaining payday loans (Caskey, 2005; Mayer, 2003, 2010). Unlike a traditional pawn that requires some type of collateral from the borrower, payday loans are unsecured and only require that a borrower verify employment income. Some payday lenders require that borrowers also have a bank account that the lenders can access to collect the principle loan, interest, and fees (Baradaran, 2015). The typical payday borrower earns less than $40,000 per year, borrows an average principle loan of $500 to pay for emergencies and basic consumption needs, and pays an average annual percent rate of 400 percent for a two-week payday loan with $15 to $100 in fees (Consumer Finance Protection Bureau, 2017; Soederberg, 2014, p. 141). Payday lenders profit substantially from the fees they impose on borrowers, which amount to approximately $8.7 billion per year (Wherry, 2015). Astonishingly, 80 percent of payday loans are followed by another loan and 50 percent are followed by an additional 10 payday loans, resulting in a cycle of debt due to fees and high interest rates (Baradaran, 2015, p. 2). The obvious exploitation of payday loan borrowers has resulted in 14 states and the District of Columbia banning all forms of payday loans, with an additional 9 states placing some restriction on them.

Undoubtedly, a poverty industry exists that treats poor and low-income consumers as separate and unequal participants in consumer society. Though consumption inequality may be less than income inequality (Horwitz, 2015), the exploitation that less affluent consumers experience as a result of the many businesses that profit from their economic insecurity and lack of access to mainstream retailers and financial institutions should not be ignored. However, without the poverty industry and the premiums they demand, many poor and low-income consumers would indeed be flawed because they would lack access to immediate cash and credit, and the opportunity to potentially own homes, vehicles, appliances, and furniture. Unlike many mainstream retailers and financial institutions, the poverty industry at least recognizes less affluent individuals as "useful" consumers who occupy an important segment of the market. Consequently, the poverty industry acknowledges that poor and low-income consumers have needs and wants just like more affluent consumers and provides the means for them to participate in consumer society.

Empowered Inclusion

Just because poor and low-income consumers possess limited and unstable discretionary income and face geographic constraints does not necessarily mean they are victims who lack agency and choice. Even the poorest consumers "attempt to exert some control within in their consumer world" rather than "passively accepting their circumstances" (Hill 2002, p. 213). Some poor and low-income consumers do not view themselves as necessarily exploited by the poverty industry and knowingly pay a premium for access, speed, convenience, and nondiscriminatory service (Alwitt & Donley, 1996; Hill et al., 1998; Servon, 2017). Poor and low-income consumers stress that access to otherwise unobtainable consumer goods and speed of transaction are key reasons they patronize the rent-to-own industry, and the majority report that they are satisfied with their experiences at rent-to-own retailers (Lacko et al., 2000). Likewise, some less affluent consumers prefer fringe check cashing and payday loan businesses to mainstream financial institutions because they are located conveniently in (or near) their neighborhoods, have extended hours, are open on weekends, and their employees do not judge or stigmatize them (Alvarez, 2013; Caskey, 2005; Silver-Greenberg, 2010). Paradoxically, many feel that these establishments are more transparent than mainstream banks, with the products they offer (and their prices) visibly posted on signs, unlike overdraft penalties and other fees that are hidden in the paperwork at mainstream banks (Servon, 2017). Others realize that their neighborhood corner store may charge them a poverty premium, but it also may offer them benefits, such as informal credit or check cashing (Alwitt & Donley, 1996).

Although it is a struggle, many less affluent consumers find ways to empower their consumption choices and inclusion in consumer society, devising strategies to avoid being flawed consumers. The primary way that they can exert the most control over their purchasing power is when their discretionary income increases, such as receiving their annual EITC refund or an unexpected windfall of money (Pugh, 2009; Sykes et al., 2015; Tach et al., 2019). These pecuniary boosts empower poor and low-income consumers to treat themselves and their families to desired goods as a form of what Pugh (2009) refers to as symbolic indulgence. Other strategies include developing robust social capital, which they can use to avoid the exploitative poverty industry and its premiums by outshopping and participating in rotating savings and credit associations (Alkon et al., 2013; Hill, 2008; Leipämaa-Leskinen et al., 2016; MacKendrick, 2018; Servon, 2017). One additional way that poor and low-income consumers avoid being flawed is by patronizing businesses that attempt to include them in consumer society without exploiting them, such as national discount retailers like Family Dollar and Walmart (Hamilton & Catterall, 2005). These stores offer goods and services sans a poverty premium and are increasingly located in (or offering delivery to) less affluent urban and rural communities, affording convenient competition to the exploitative poverty industry.

EITC and Windfall Money

Perhaps the most significant form of empowerment for poor and low-income consumers in the United States is the earned income tax credit (EITC), a means-tested refundable federal tax credit. The EITC has been found to enhance both the discretionary purchasing power and confidence of poor and low-income consumers (Duncan et al., 2007; Sykes et al., 2015). Distributed in an annual lump sum, this refund money "encourages spending patterns that create feelings of social inclusion and citizenship" (Sykes et al., 2015, pp. 243–244). Unlike other means-tested programs, the EITC is allocated through the Internal Revenue Service and there are no stipulations on how it can be spent, but filers must engage in wage work to receive it. According to Sykes et al. (2015), this removes the stigma and exclusion that accompany other means-tested programs, like TANF and SNAP. EITC refund money provides low-income consumers the freedom of choice and autonomy to make decisions in the marketplace. Duncan et al. (2007, pp. 86–87, as cited in Sykes et al., 2015, p. 246) found that EITC recipients "generally took great pride in being typical consumers—going to the mall or a fast-food restaurant, buying new clothes instead of thrift store specials, buying furniture, or purchasing a reliable used car."

Though Sykes et al. (2015) and Tach et al. (2019) found that most EITC money is used to pay debts and invest in future consumption, 23 percent is used for current consumption and 11 percent is reserved for "treats." Parents commonly spent the treat part of their refund to meet the consumer wants of their children, such as purchasing brand-name athletic shoes, trips to amusement parks and movie theaters, and dinners at TGI Fridays or Red Lobster restaurants. Even though treats are a small portion of total EITC spending, they provide "vital social–psychological rewards" of inclusion in consumer society (Sykes et al., 2015, p. 250).[4] Similarly, less-affluent consumers who experience a windfall of unexpected money express feelings of empowerment and inclusion (Desmond & Travis, 2018). Pugh (2009) discovered that low-income parents, in particular, used such money as a form of "symbolic indulgence," purchasing brand-name clothes or vacations to Disney World for their children. This enabled their children to gain access to consumer goods and experiences that conferred "dignity" and social belonging with their peers. Other research has also found that by treating themselves to occasional non-necessities, such as a movie, an expensive dinner, a new (instead of used) television, or even bottled water, less-affluent consumers avoid feeling flawed or excluded from consumer society (Daniel, 2014; Leipämaa-Leskinen et al., 2016). Temporary boosts in discretionary income offer the opportunity for poor and low-income consumers to act like more-affluent consumers by engaging in conspicuous consumption that can help them mask their poverty, especially by purchasing new, brand-name consumer goods (Caplovitz, 1963; Hamilton, 2009). Importantly, it allows them to purchase consumer goods that they can use to maintain social relationships and symbolize care (Chin, 2001; Kochuyt, 2004; Pugh, 2009; Sykes et al., 2015). This is significant because it helps less affluent consumers build another form of empowerment: social capital.

Social Capital

When economic capital is scarce, many poor and low-income consumers rely on social capital to support their consumer needs, including sharing resources within families and communities (Alkon et al., 2013; Chin, 2001; Desmond & Travis, 2018; Hill, 2008; Kochuyt, 2004). In their study of survival strategies among the urban poor, Desmond and Travis found a strong expectation of mutual support, even among strangers. According to Hill (2008, p. 82), poor consumers are more "dependent upon community where sharing of possessions regularly occurs." Kochuyt (2004, pp. 139, 151) describes the social capital of poor households as a moral economy, where resources are redistributed according to need and family bonds are reinforced, especially when parents self-sacrifice to protect their children "from economic adversities." Likewise, Chin (2001) discovered how sharing within families shapes the purchasing decisions of lower-income children, such as one young boy in her study who decided to purchase a pair of walkie-talkies so he could share this toy with his younger brother. Similarly, Alkon et al. (2013) found that less-affluent consumers who lived in food deserts often share food, cooking, and eating with family and friends. Interestingly, they also found that they use their social networks to overcome geographic obstacles, such as borrowing cars or carpooling to outshop for higher-quality, less-expensive food at stores outside of their neighborhoods. The practice of outshopping enables less-affluent consumers to actively avoid poverty premiums and facilitates "mastering" consumption (Leipämaa-Leskinen et al., 2016, p. 267). Leipämaa-Leskinen et al. (2016) learned that some less-affluent consumers felt empowerment from mastering consumption, which they often performed within their families. Creating careful budgets and disciplined shopping routines (especially for items on sale) helped these families exert deliberate control over spending and made some feel like they were "more discerning than the average consumer" (Leipämaa-Leskinen et al., 2016, p. 267).

Social capital also helps some less-affluent consumers avoid the exploitation of fringe financial services, like payday lenders, by arranging informal loans with family members or close friends that act as private safety nets (Alvarez, 2013).[5] Participating in rotating savings and credit associations (ROSCAs) can provide low-income consumers the means to borrow money for a down payment on a house, pay for wedding expenses, or to purchase a large-ticket item, like an appliance.[6] Members of a ROSCA pay a predetermined amount of money (or "hand") for a set number of weeks (or a "round") to a "banker" that manages the association's monetary pool. Each week, one member receives his or her "drawer," or round of money from the pool. Members who have been part of a ROSCA the longest often receive the priority drawers that occur in early rounds, but some ROSCAs use a lottery or bidding system to determine the order of drawers (Servon, 2017, pp. 124–125). According to Servon (2017, p. 125), "ROSCAs rely on social capital—the trust, norms, and networks that operate within a community." ROSCAs tend to be relatively small (10 to 20 members) and group pressure acts as an insurance policy that all members will contribute their "hands" on time every week. While members of most ROSCAs know each other from either working together, living in the same neighborhood, attending the same place of worship, or belonging to the same ethnic community, others operate through the social capital of the banker, who screens members (Servon, 2017, p. 125). An alternative to mainstream and fringe banks, ROSCAs can empower less-affluent consumers to master their consumer finances, avoiding high interest rates and default or overdraft fees.

Discount Retailers—and Amazon

Poor and low-income consumers also avoid being flawed by patronizing businesses that attempt to include them in consumer society without stigmatizing or exploiting them. National discount retailers, including Walmart, Family Dollar, and Dollar General, have intentionally acknowledged poor and low-income consumers as valued customers who desire quality brands at low prices. Admittedly, these places of consumption may constitute a new component of the poverty industry; however, given that they also cater to more-affluent consumers, they do not exploit poor and low-income consumers the same way the more traditional poverty industry does. Less-affluent consumers do not pay a poverty premium at discount retailers and though the less-expensive goods on offer may not be the highest quality, this planned obsolescence is characteristic of consumerism in general. Indeed, discount retailers provide less-affluent consumers a relatively normal shopping experience with product variety, the opportunity to express agency, and perhaps even the possibility to daydream of future purchases, even if price most often dictates choice. While this may not represent the typical understanding of empowerment, it does provide poor and low-income consumers some self-determination in the marketplace, to the extent that any consumer, regardless of income, has autonomy.

Dollar General (2019) aims at "Serving Others" in mostly rural and urban areas, where it operates over 15,000 stores. Marketing itself as a small-sized neighborhood convenience store with merchandise that consumers frequently purchase (such as snack food, healthcare products, and cleaning supplies), Dollar General prides itself on saving its customers time and money. Most of the merchandise at Dollar General costs less than $10 and, like its name implies, 30 percent of its offerings cost $1 or less. Though less-expensive, private-label products are on the shelves, consumers also can find trusted national brands that are commonly available in stores that more-affluent consumers frequent at a discount, and often on sale (Dollar General, 2019). Family Dollar (2019) also targets poor and low-income consumers in the 8,000 stores it operates in underserved rural and urban communities, following a model similar to Dollar General by offering national and private-label brands at low prices. Advertising itself as a place that "makes shopping fun without stretching the family budget," Family Dollar, like Dollar General, treats less affluent consumers in a "more socially responsible manner" by eliminating the poverty premium and empowering them with more choice—and more purchasing power—in the marketplace (Family Dollar, 2019). The median household income of the average Dollar Store and Family Dollar shopper is $46,000, considerably less than the U.S. median of $56,516, and almost 40 percent of Family Dollar shoppers make less than $25,000 (PYMNTS, 2016).

Walmart's power to include poor and low-income consumers in consumer society surpasses Dollar General and Family Dollar in scale and scope. Though Walmart operates fewer stores (just over 4,700) in the U.S. than Dollar General and Family Dollar, its massive size, strategic locations (90 percent of all Americans live within 15 miles of a Walmart store), vast product selection, and comparatively low prices help it achieve high volume sales (Fishman, 2006). Fishman found that Americans spend $35 million every hour at Walmart stores and 93 percent of them shop at a Walmart store at least once a year, spending on average $2,060 annually. Though consumers of all income levels shop at Walmart, the median household income of most Walmart shoppers is slightly less than the U.S. median household income per year—$53,125 per year compared to $56,516 in 2015—and 27 percent of Walmart shoppers earn less than $25,000 per year (PYMNTS, 2016). Eighteen percent of all SNAP benefits are spent at Walmart each year, amounting to $13 billion in 2016 (LaMagna, 2018; Reich & Bearman, 2018).

In 2019, Walmart agreed to participate in a USDA pilot program for SNAP recipients to order their groceries online for pickup or delivery, the latter of which could help overcome the geographic constraints faced by those residing in food deserts. Walmart's mission to help its customers "Save Money. Live Better" extends beyond products to include services such as pharmacies, vision centers, hair salons, and wireless phone plans via T-Mobile (2019). Walmart's website shows the chain also offers financial services such as check cashing ($4 fee for checks $1000 or less, $8 fee for checks more than $1000), money transfers, prepaid debit cards, tax preparation, bill payment, and store credit cards with no annual fees at its MoneyCenter. Clearly, discount retailers profit from poor and low-income consumers, and Reich and Bearman (2018) caution against viewing Walmart as the "Robin Hood of the poor" given the low wages it pays its workers. However, discount retailers empower the choices available to less-affluent consumers, including their employees, by offering a wide variety of higher-quality goods and services at lower prices than the exploitative poverty industry.

In 2017, Amazon began to recognize the collective purchasing power of poor and low-income consumers, offering its Prime membership for $5.99 per month to individuals on government assistance, and accepting SNAP payments for grocery orders (Cascade Business News, 2017). It also started a financial program called Amazon Cash aimed at less-affluent consumers without debit or credit cards—individuals take cash to a participating location and purchase Amazon Cash to use online (LaMagna, 2018). Amazon Prime includes free delivery, which helps consumers with transportation challenges, such as no access to a car or reliance on public transportation that makes it difficult to shop in bulk. Amazon Prime also provides access to thousands of movies, television programs, and musical compositions to stream, as well as digital books. Though Amazon Prime initially targeted more-affluent consumers, the company realized that if it wanted to grow, it needed to expand its membership base (Cascade Business News, 2017). According to one industry analyst interviewed by Cascade Business News, Amazon is likely to continue to build loyalty with "underserved markets that [are] getting totally ignored" by extending membership privileges to them (2017, para. 14). Given that poverty is temporary for most individuals, empowering poor and low-income consumers in the present may be a successful strategy to build brand loyalty for the future, when the consumers may be more affluent.

Expanding Empowerment Opportunities

In sum, poor and low-income consumers can experience "empowered inclusion" in consumer society via the EITC and windfall cash, relying on social capital, and patronizing businesses like Dollar General, Family Dollar, Walmart, and Amazon that compete with the exploitative poverty industry. However, in the words of the Consumer Finance Protection Bureau (2013, p. 7), our society needs to find additional ways for less-affluent consumers to "take more control over their economic lives." The Consumer Finance

Protection Bureau recommends better access to financial services, consumer information, and financial education. The Brookings Institute (2006) makes similar recommendations and stresses that regulations may be required to protect these consumers from the exploitative practices of the poverty industry, especially payday lenders. Innovations in financial technology, or "FinTech"—such as mobile apps that help those who receive government-assistance payment cards track spending, pay bills, and transfer money online from the cards to payment platforms with mainstream banking services—can help empower poor and low-income consumers as well (Berman & Yeh, 2017). Instead of relying on predatory financial services or those offered at for-profit retailers such as Walmart and Amazon, local post offices could offer financial services, like they do in many European countries (Baradaran, 2015). Currently, 38 percent of the nation's 35,000 post offices are located in zip codes without banks, so this could be a convenient alternative to payday lenders (Stoesz, 2014). Mainstream banks could also do a better job of including services that do not take advantage of less-affluent consumers, such as offering small loans that can be repaid in installments limited to five percent of monthly income and improving transparency about overdraft fees and other obscure charges (Servon, 2017; Wherry, 2015).

In addition to increasing wages (and decreasing poverty)[7], the implementation of a universal basic income (UBI) would be an important boost to the discretionary spending power of less-affluent consumers. Hill (2018, p. 414) suggests that a UBI could ensure the right of what he calls consumption adequacy, or "that all persons should have unimpeded, lifetime access to goods and services that meet basic needs within the context of their living environments." The UBI is a direct cash transfer from the government with no stipulations on what it can be used to purchase or where. Distributed annually in one lump sum or in monthly installments, it could empower poor and low-income consumers to master consumption better through constructing more predictable budgets, particularly by earmarking anticipated money for "treats," savings, or paying off debt (similar to the EITC). A UBI would also enable less-affluent households to smooth consumption throughout the year or over a month. For example, Kueng's research on payouts from the Alaska Permanent Fund (APF)[8] found that the lowest-income households used this money to smooth consumption over the year instead of spending it all at once (Kwok, 2017). Likewise, a national UBI could expand the empowerment opportunities of poor and low-income consumers and reduce consumption inequality more generally so they do not have to become heavily indebted to avoid being flawed.

Conclusion

Finding ways to increase the purchasing power of poor and low-income consumers is necessary to provide them the means to expand their participation in the marketplace and improve their standard of living; however, they are not by definition flawed consumers. Even though less-affluent consumers face challenges in the marketplace and are often exploited, they are not completely excluded from participating in consumer society. Thus, they are not, as Bauman suggests, "invalids earmarked for exclusion," since they have the ability to follow and fulfill "the precepts of consumer culture" (2007, p. 56). Poor and low-income consumers are not so much "failed" consumers who "cannot buy so…have no purpose" (Lawson, 2009, p. 112), but a segment of the consumer market that does buy, but with limited resources, and is worthy of social recognition from not just academic researchers but the financial industry and more mainstream businesses as well.

Endnotes

1. Defined as those with household incomes less than or equal to 50 percent of the Housing and Urban Development (HUD) estimate. These vary by state, county, and metropolitan location. https://www.huduser.gov/portal/datasets/il/il06/BRIEFING-MATERIALs.pdf

2. The Consumer Expenditure Survey is the only national government survey that collects data on income, expenditures, and certain demographic variables on U.S. consumers to capture economic wellbeing. It reports expenditures and demographic data via five household pre-tax income quintiles, but does not use the subjective terms "poor" or "rich" to describe them. Pre-tax income includes SNAP, but excludes noncash benefits and gifts (Crain & Wilson, 2017). The survey is conducted by the U.S. Bureau of Labor Statistics and collects household data using two methods: an Interview Survey for major and recurring purchases (such

as an automobile or utilities) and a Consumer Diary for minor and more frequently purchased items, like food and household supplies (Bureau of Labor Statistics, 2016).

3. Approximately 80 percent of rent-to-own customers make less than $40,000 per year. Legally, the $8.5 billion annual rent-to-own industry in the U.S. can bring criminal charges against customers who fail to return the items they rent, which in the worst-case scenario can result in incarceration (National Consumer Law Center, 2019).

4. Over $68.5 billion dollars was distributed to low-income workers via the EITC for returns filed in 2016. The maximum EITC is only $519 per year for single tax filers, but for those with one child it is $3,461, two children $5,716, and three children $6,431 (Falk & Crandall-Hollick, 2018).

5. Of course, as Alvarez (2013) points out, providing loans to family or friends can be costly and cause financial strain. Norms of reciprocity associated with such informal loans may oblige an individual to lend money to a sibling at the expense of their own consumer desires.

6. Servon (2017, p. 126) explains that some ROSCAs "exist to purchase certain consumer goods in a quantity great enough for each member to get the item at a discount. If everyone needs a dishwasher, for instance, the leader of the group will negotiate a price with a vendor for ten dishwashers, resulting in a discount for all members."

7. Fortunately, before the pandemic, the poverty rate in the United States declined from 14.8 percent in 2014 to 12.3 percent in 2017. During the same time, median household income increased from $53,657 to $61,372 (DeNavas-Walt & Proctor, 2015; Fontenot et al., 2018). Between May 2018 and May 2019, the lowest paid workers (finally) started to experience an increase of wages at just over 4 percent (Casselman, 2019).

8. The Alaska Permanent Fund is a state-owned fund that distributes a yearly payment to every resident in Alaska from the state's oil revenue. It was established in the late 1970s and began distributing dividends to Alaskan residents (including children) in 1982. The average annual payment fluctuates due to changes in oil prices and the stock market, but the average dividend payment is between $1,000 and $2,000. It is distributed every October.

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