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Social and psychological determinants of consumption: Evidence for the lipstick effect during the Great Recession

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Highlights

- During the Great Recession, cosmetics expenditures increased among women age 18–40.
- The increase in expenditures was not driven by a desire to find a new mate or stay/become employed.
- The increase in cosmetics expenditures happened at the same time that clothing expenditures declined, even as the relative price of cosmetics increased, suggesting a substitution between the two categories.
- We are the first to shed light on the lipstick effect using microdata from a nationally representative survey of consumers during the Great Recession.

Abstract

Using the Great Recession as a case study, we evaluate the evidence for the “lipstick effect” by analyzing expenditures on cosmetics products using data from the Bureau of Labor Statistics’ Consumer Expenditures Survey. We find a significant increase in average cosmetics expenditures among younger women (age 18–40) during the Great Recession. The increase occurred regardless of marital or employment status, providing evidence against popular explanations for the lipstick effect in the academic literature: to wit, that women purchase more lipstick either to attract a mate during uncertain economic times, or to increase the probability of staying or becoming employed during the economic downturn. Rather, we find evidence to

support the claim that the lipstick effect is caused by a substitution away from spending on women's clothes.

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Keywords

Consumer economics; Lipstick effect; Great Recession

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