

The
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The psychology of scarcity

Days late, dollars short

Those with too little have a lot on their mind

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Scarcity: Why Having Too Little Means So Much. By Sendhil Mullainathan and Eldar Shafir.

Times Books; 288 pages; \$28. Allen Lane; £20.

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THE authors of this book both study people for a living—often people who lack money. They may be vegetable sellers in Chennai, India, who borrow money at dawn and repay with exorbitant interest at dusk. Or they may be ill-paid office managers, like Shawn from Cleveland, Ohio, who lives from pay cheque to pay cheque, always finding that there is “more month than money”.

Surprisingly the authors see a lot of themselves in their subjects. As successful academics, neither lacks money (Sendhil Mullainathan, an economist at Harvard, won a \$500,000 “genius” grant from the MacArthur Foundation before he turned 30). But they do lack time. The way Mr Mullainathan feels about his professional obligations mirrors the way Shawn felt about his financial liabilities. He has been known to miss deadlines, just as Shawn missed bill payments. Mr Mullainathan has double-booked meetings, promising time he has already committed; Shawn similarly bounced checks. Both were too busy putting out fires to prevent them from flaring up, and both fell prey to fresh temptations. Shawn was seduced by a leather jacket at an unbeatable price; Mr Mullainathan accepted an unmissable invitation to write about people like Shawn.

There is a distinctive psychology of scarcity, argues Mr Mullainathan and Eldar Shafir, a

psychologist at Princeton University. People's minds work differently when they feel they lack something. And it does not greatly matter what that something is. Anyone who feels strapped for money, friends, time or calories is likely to succumb to a similar "scarcity mindset".

This mindset brings two benefits. It concentrates the mind on pressing needs. It also gives people a keener sense of the value of a dollar, minute, calorie or smile. The lonely, it turns out, are better at deciphering expressions of emotion. Likewise, the poor have a better grasp of costs.

This scarcity mindset can also be debilitating. It shortens a person's horizons and narrows his perspective, creating a dangerous tunnel vision. Anxiety also saps brainpower and willpower, reducing mental "bandwidth", as the authors call it. Indian sugarcane farmers score worse on intelligence tests before the harvest (when they are short of cash) than after. Feeling poor lowers a person's IQ by as much as a night without sleep. Anxieties about friendlessness have a similar effect. In one experiment a random group of people were told that their results on a personality test suggested a life of loneliness. This random subset subsequently performed worse on intelligence tests and found it harder to resist the chocolate-chip cookies provided for them.

By making people slower witted and weaker willed, scarcity creates a mindset that perpetuates scarcity, the authors argue. In developing countries too many of the poor neglect to weed their crops, vaccinate their children, wash their hands, treat their water, take their pills or eat properly when pregnant. Ingenious schemes to better the lot of the poor fail because the poor themselves often fail to stick to them. The authors describe these shortcomings as the "elephant in the room"—which poverty researchers ignore because it is disrespectful to the people they are trying to help. But if these so-called character flaws are a consequence of poverty, and not just a cause of it, then perhaps they can be faced and redressed.

The authors discuss a range of solutions to the psychological pratfalls of scarcity. These include pill bottles that glow when they have been neglected, and savings cards displayed near supermarket tills, like lottery tickets, but which transfer the money impulsively "spent" on them into the person's savings account.

Some of these practical antidotes are not new. But the book's unified theory of the scarcity mentality is novel in its scope and ambition. This theory has a lot of moving parts, perhaps too many. (The scarcity mindset yields a "focus dividend", which is offset by a tunnel-vision "tax" and a "bandwidth tax"; this can be relieved by "slack", but although slack relieves scarcity, "abundance" creates a dangerous complacency). It is, however, easy to enjoy the book's many vignettes and insights, leaving it to others with more bandwidth to fit it all together.

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