

Days late, dollars short

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The Economist:

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.

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