

The Rich Can Learn From the Poor About How to Be Frugal

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The New York Times:

I try to be frugal. But my instincts as a consumer are mistaken. Behavioral economics suggests that I'm often frugal in the wrong way and that you may be, too.

Consider this situation: You're shopping for headphones. An electronics store has the model you want for \$50, a reasonable price. But a sales clerk says: "You know our other branch has this item on sale for \$40." Going to that store will take 30 minutes, and you can't buy the headphones for that price online. Do you go to the other branch?

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Research by Daniel Kahneman and Amos Tversky, the psychologists whose work helped spawn behavioral economics, suggests that people are more likely to make the trip for the \$40 headphones than for the \$385 speakers.

Read the whole story: [The New York Times](#)