


THE PSYCHOLOGY OF SCARCITY: WHY QUESTIONABLE DECISIONS MAY MAKE PERFECT SENSE

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**Why did you commit one hour of your
life to this presentation?**

What do you hope to learn?



Agenda

- Review research on scarcity and the effects of scarcity on decision making
- Consider how this research applies to ourselves
- Consider how this research applies to those we serve
- Apply this research - what is one disruption you want to make in your practice/ your program?



- Social scientists analyze individual decision making processes in terms of incentives and disincentive, or “rational choice” models (Bane and Ellwood 1994)
- PERSPECTIVE INFORMS CHOICES
- Choices that seem foolish from a point of view OUTSIDE the frame of reference make a lot more sense when viewed from WITHIN

Key Points to Remember

- Our conversations about the needs of those we serve must begin with compassion and kindness with a frame of reference that we all can understand - scarcity



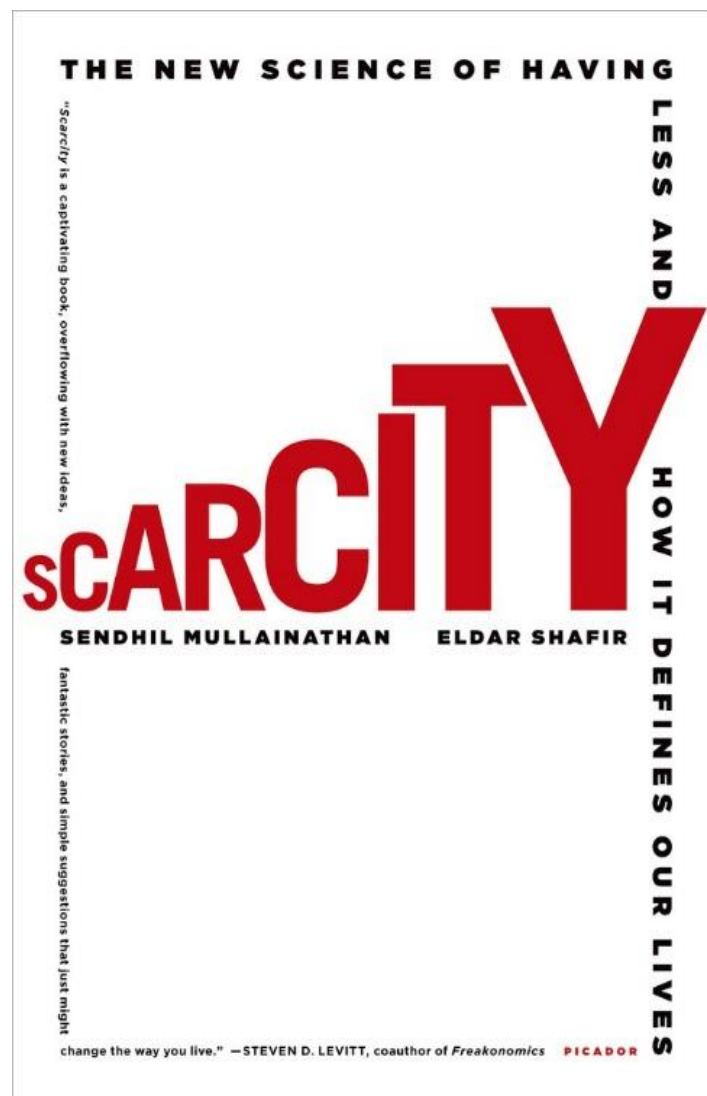
Key Points to Remember

- We all make decisions and choices
 - Perspectives drive decisions and choices
 - Being without resources does not mean someone is not resourceful
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And...

- Decisions are often based on simple expediency or practicality
- Expediency or practicality is relative to the individual and his/her current circumstances
- Examples from reading

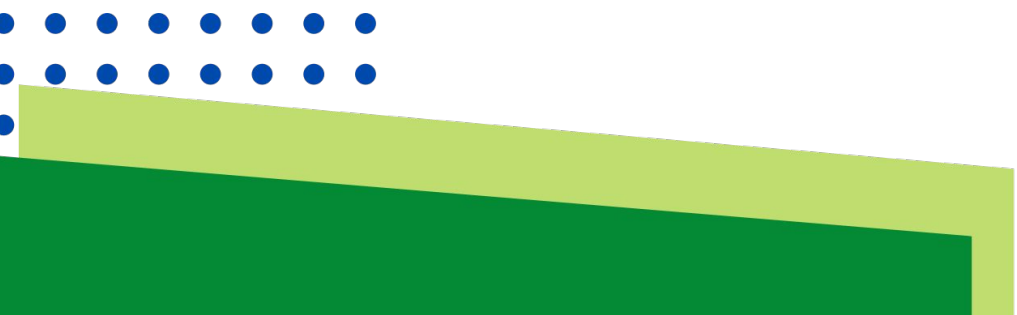

Scarcity: The New Science of Having Less and How It Defines Our Lives



- Cutting-edge research from **Sendhil Mullainathan** and **Eldar Shafir**
- Scarcity creates a distinct psychology for everyone struggling to manage with less than they need


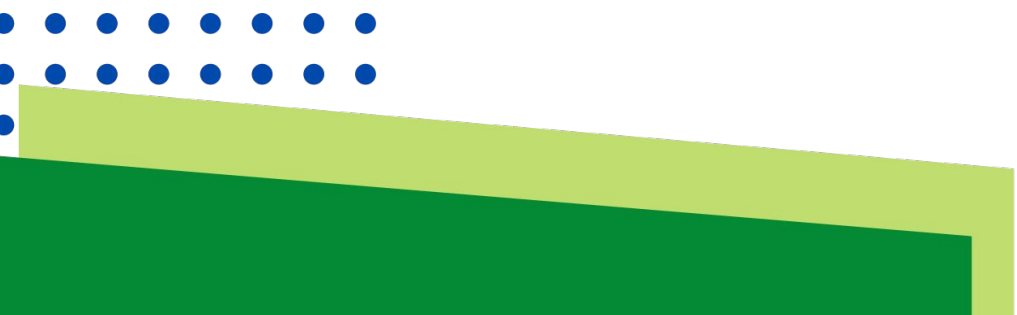



Scarcity: an economic construct

- Society has insufficient productive resources to fulfill all human wants and needs
 - What is scarce in your life?
 - How are you affected by scarcity?
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Scarcity:

- Not just a physical constraint
 - Mindset
 - Changes how we think
 - Over time
 - Affects what we notice
 - How we weigh our choices
 - How we deliberate
 - What we decide – how we behave
- 
- 
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Scarcity:

- 1984-2000
- Motor vehicle collisions accounted for 20-25% of firefighter fatalities
 - 79% not wearing a seat belt
 - Why?

Scarcity:

Tunneling

- Tunnel vision – narrowing of the visual field
- Objects inside tunnel – sharper focus
- Renders us blind to objects outside tunnel



Scarcity:

Focus is positive

- Scarcity focuses us on what seems to matter most
 - for the moment

Tunneling is not positive

- Scarcity leads us to tunnel and neglect other, possibly more important things





Scarcity:

Process of neglect

- Tunneling changes the way we choose

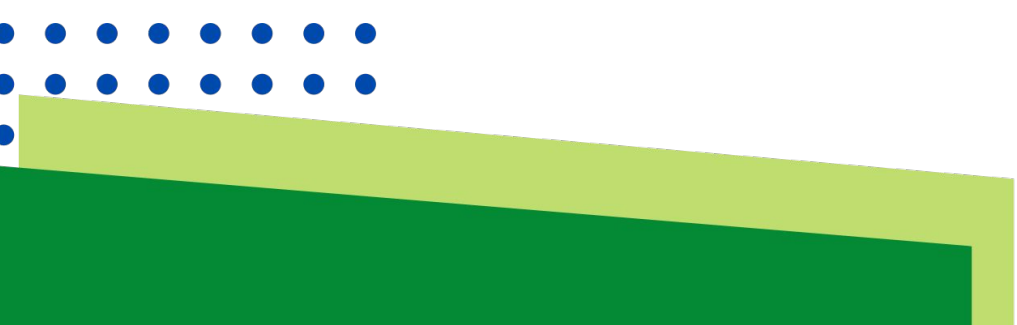

Example:

- Is skipping my workout okay?
- 
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Scarcity:

Tunneling

- Deadline creates its own narrow focus
 - Tunnel magnifies the cost
 - Tunnel minimizes the benefits
 - Long-term benefits appear much less urgent
- 
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Scarcity:

Tunneling operates by changing what comes to mind

Example:

- List as many white things as you can
 - Milk
 - Snow



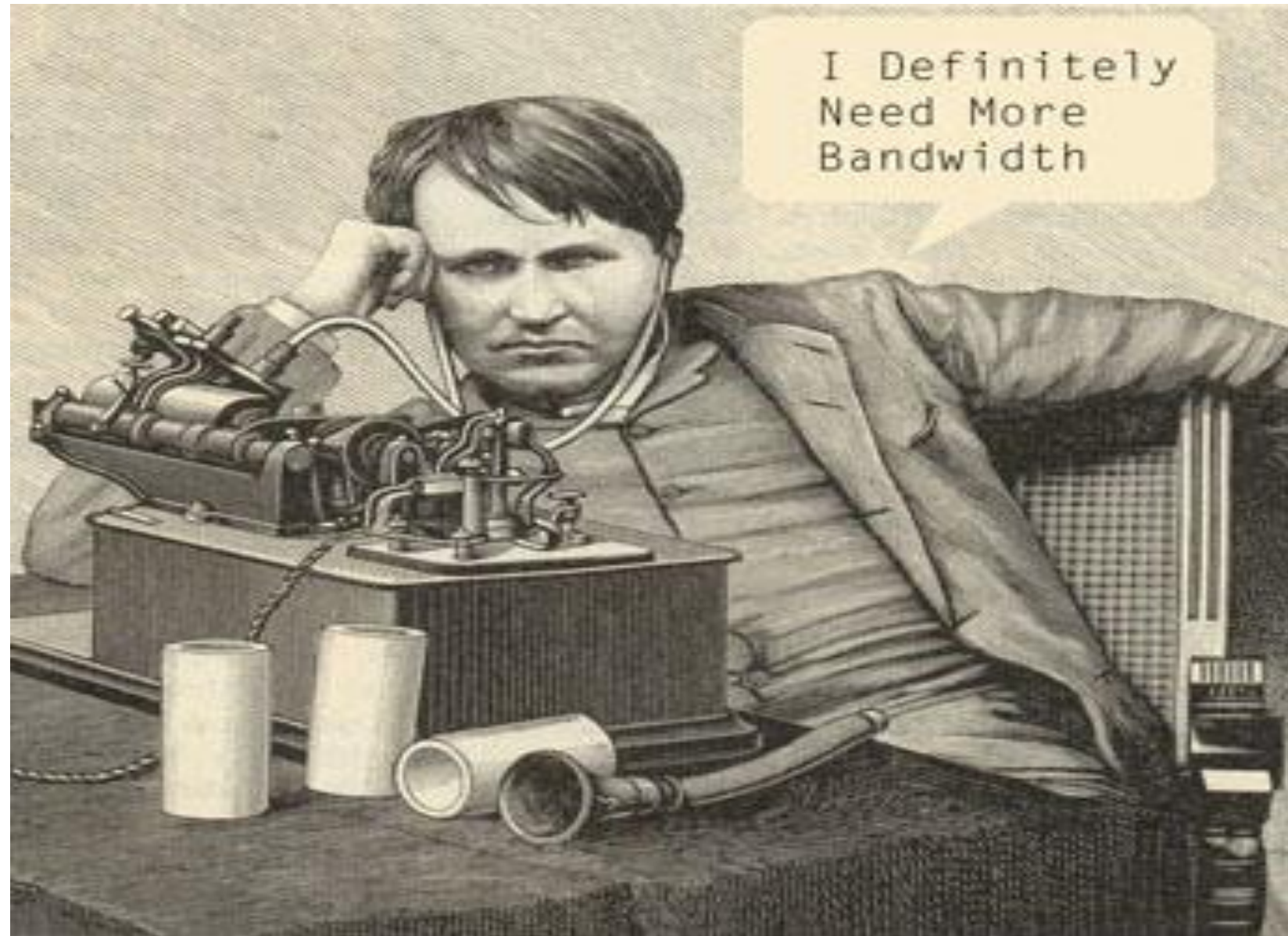


Scarcity:

Focus may lead to neglecting what you value

- Is this choice wrong?
 - Be careful to infer preferences from behavior
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Bandwidth





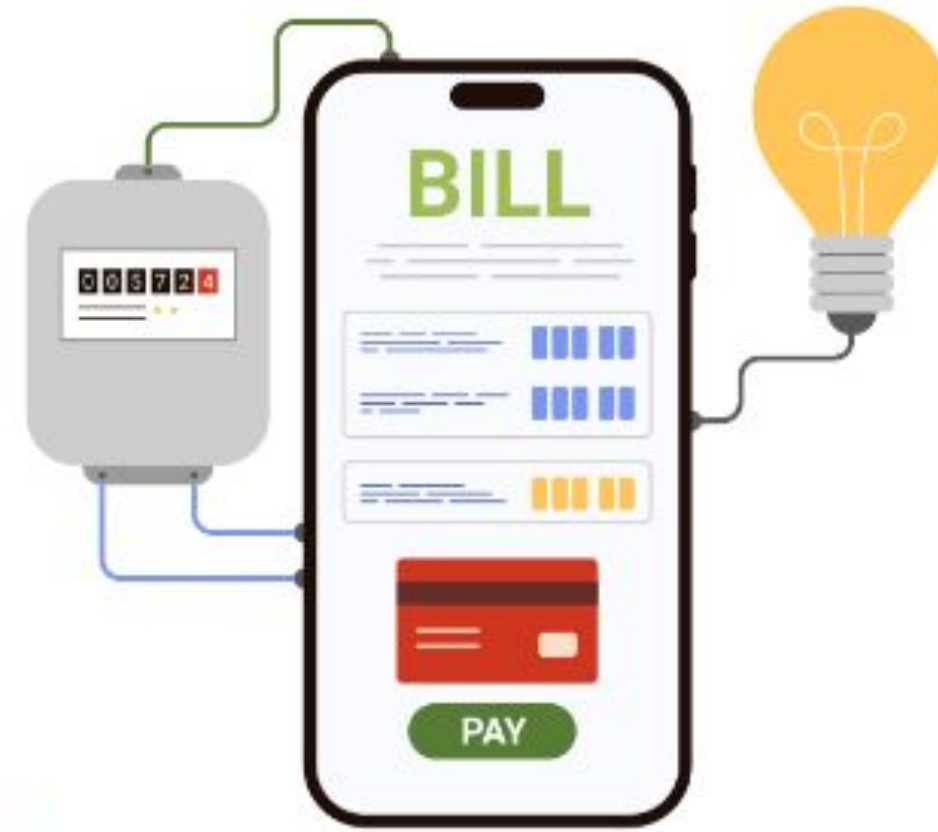
Bandwidth = How much mental capacity is available to us



Bandwidth

What are the distractions that can slow our processing?





Bandwidth

Small suitcase vs. large suitcase

- **SLACK**
 - Slack picks up the tab
 - Slack frees us from making trade-offs



Bandwidth



Bandwidth



Bandwidth



Bandwidth

- Measuring IQ in New Jersey
 - Rich and poor scored the same on fluid intelligence and cognitive control tests
 - Scores dropped 13 to 14 IQ points
- Measuring IQ in sugarcane farmers in India
 - Same farmers got 25% more questions right on intelligence test when they were rich
 - 15% more errors on executive control tests when they were poor

Scarcity:

- Raises the costs of error
- Provides opportunity to err
- Harder to do things right
 - Time commitments
 - Expenses

Scarcity:

- Negative effects of tunneling are often stronger than the positive effects of focus dividend
- *Scarcity begets more scarcity*
- Scarcity Trap
 - Poor person gets poorer over time
 - Company makes increasingly worse decisions as it fails
 - General who makes series of disastrous decisions as the battle turns against him

Scarcity/Bandwidth

- How can bandwidth resulting from scarcity affect those we serve?
- Mullainathan and Shafir
 - “We are saying that all people, if they were poor, would have less effective bandwidth.”
 - “Why not look at the structure of programs rather than the failings of clients?”

Scarcity/Bandwidth

- Henry Ford - 1926
 - Changed work day from 10 hours to 8 hours
 - Changed work week from 6 to 5 days
- Reduced shift length meant more output
- Reduced production cost!



What is it that is enabling failure?

WW II pilots

- Large number of “wheels-up” crashes
 - Must be careless pilots – fatigued?
- Crashes limited to 2 particular plane models
- Looked inside the cockpits instead of inside the pilots
 - wheel controls and flap controls were placed right next to each other and looked nearly identical
- Changed the design and crashes decreased



Designing with Scarcity in mind

What can we redesign to help increase success?

- Small changes can have huge effects
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Designing with Scarcity in mind

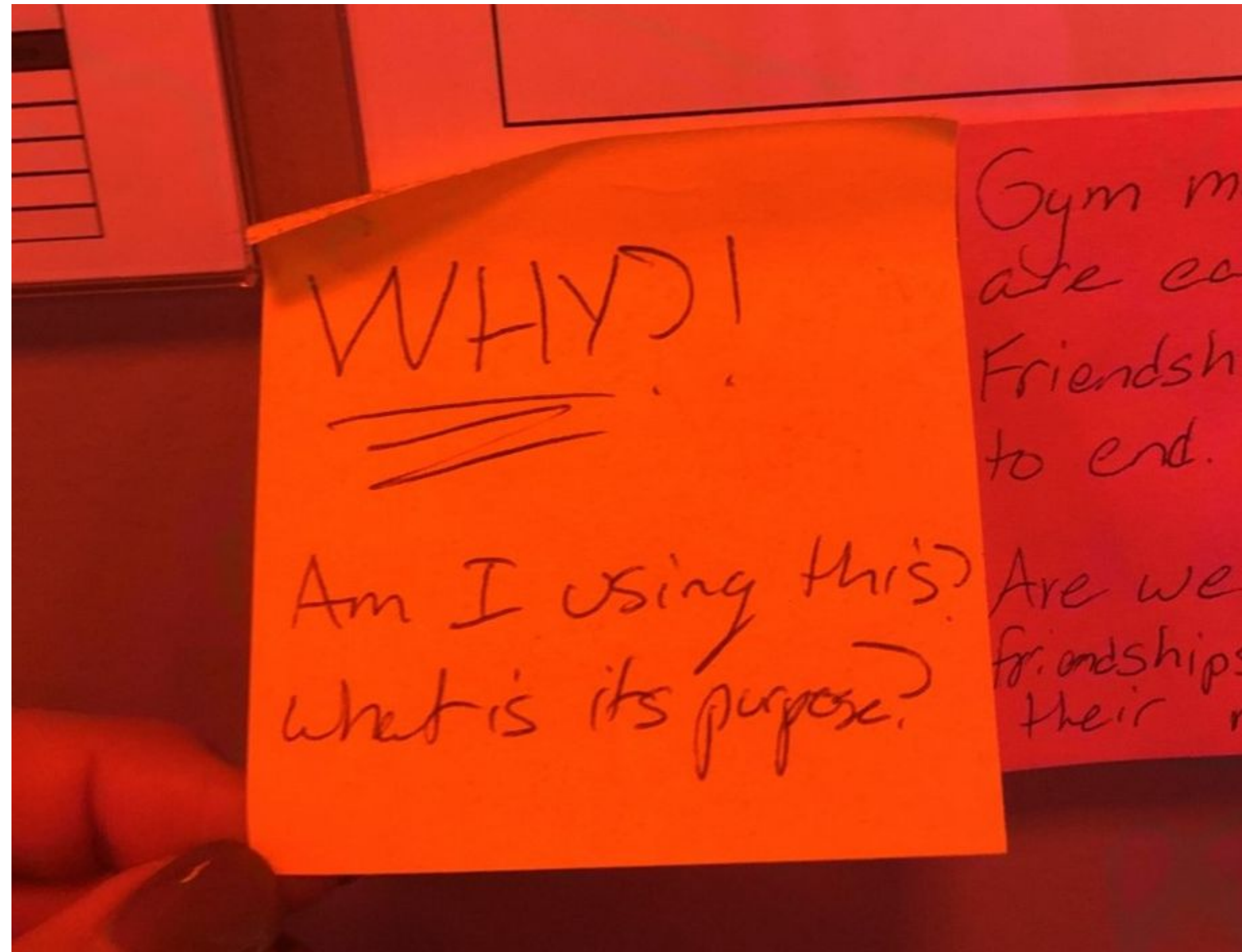
Nudge: Improving the Decisions about Health, Wealth, and Happiness

- Choice architecture
- Methods of influencing decisions by changing which choices are offered
 - Buffet line
 - Size of your plate
 - End caps at the store
 - Painted black flies in urinals
 - Give them something to aim at!

Designing for Success

- Providing opportunities on-ramps and off-ramps
- Op-out rather than op-in
- Frequent interim deadlines rather than single distant deadline
- Make sure you're inside the tunnel
- Add in some slack
- Maximize and appreciate bandwidth

Designing for Success



Designing for Success

- Henry Ford
- Innovations/disruptions
- How can we do this differently?
- Technology
- Scheduling
- Smaller chunks – time and information
- Make it relevant

Designing for Success

- What is one disruption you will make in your cockpit?





Thank you!

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