**The Psychology of Scarcity: Why Questionable Decisions May Make Perfect Sense**

| **Presentation** | **Notes** |
| --- | --- |
| **Presenter**Sarah Goldammer: sgoldam@siue.edu |  |
| **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?
 |  |
| **Framing our thoughts:**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
* We all make decisions and choices
* Perspective drive decisions and choices
* Being without resources does not mean someone is not resourceful
* Decisions are often based on simple expediency or practicality
* Expediency or practicality is relative to the individual and the current circumstances
 |  |
| **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 needsWhat is scarce in your life?How are you affected by scarcity? |  |
| **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
 |  |
| **Tunneling**Tunnel vision – narrowing of the visual field * Objects inside tunnel – sharper focus
* Renders us blind to objects outside tunnel
 |  |
| ***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 thingsProcess of neglect - tunneling changes the way we choose |  |
| **Tunneling**Deadline creates its own narrow focusTunnel magnifies the costTunnel minimizes the benefitsLong-term benefits appear much less urgentOperates by changing what comes to mind |  |
| **Bandwidth = How much mental capacity is available to us**What are the distractions that can slow our processing?Small suitcase vs. large suitcase**SLACK** picks up the tabSlack frees us from making trade-offs |  |
| **Bandwidth**Measuring IQ in New JerseyRich 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
* 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*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-rampsOp-out rather than op-inFrequent interim deadlines rather than single distant deadlineMake sure you’re inside the tunnelAdd in some slackMaximize and appreciate bandwidth |  |
| **Designing for Success**Henry FordInnovations/disruptionsHow can we do this differently?Technology•SchedulingSmaller chunks – time and informationMake it relevant |  |
| **What is one disruption you will make in your cockpit?** |  |