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

| **Presentation** | **Notes** |
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| **Presenter**  Sarah Goldammer: [sgoldam@siue.edu](mailto: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 needs  What 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 things  Process of neglect - tunneling changes the way we choose |  |
| **Tunneling**  Deadline creates its own narrow focus  Tunnel magnifies the cost  Tunnel minimizes the benefits  Long-term benefits appear much less urgent  Operates 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 tab  Slack frees us from making trade-offs |  |
| **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 * 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-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**  Henry Ford  Innovations/disruptions  How can we do this differently?  Technology  •Scheduling  Smaller chunks – time and information  Make it relevant |  |
| **What is one disruption you will make in your cockpit?** |  |