Frame 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

The Psychology of Scarcity: Why Questionable Decisions May Make PERFECT SENSE

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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
- Generational poverty and situational poverty are different
- 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 his/her current circumstances.

Examples from your reading:

Eldar Shafir  Sendhil Mullainathan

- 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

- 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
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
  - Is skipping my workout okay?
Scarcity

• Tunneling
  • Deadline create its own narrow focus
  • Tunnel magnifies the cost
  • Tunnel minimizes the benefits
  • Long-term benefits appear much less urgent
Scarcity

• Tunneling operates by changing what comes to mind
  • 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
Bandwidth

I Definitely Need More Bandwidth
Bandwidth

• How much mental capacity is available to us
• What are the distractions that can slow our processing?
  • Lack of sleep
  • Bills to pay
  • Sick kid
  • Cinnamon rolls
Bandwidth

• Small suitcase vs. large suitcase
• SLACK
  • Slack picks up the tab
  • Slack frees us from making trade-offs
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 about this situation that is enabling this 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 for Scarcity

- What can we redesign to help increase success?
- Small changes can have huge effects
Designing for Scarcity

• *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
Designing for Success

- One adjustment you are going to make
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