



Public Interest Government Relations Office (PI-GRO)



AMERICAN
PSYCHOLOGICAL
ASSOCIATION

THE PSYCHOLOGY OF SCARCITY:

HOW LIMITED RESOURCES AFFECT OUR DECISIONS AND BEHAVIORS

Many people believe that the United States is the land of opportunity, and that anyone can succeed with hard work and intelligence. Concurrently, we often assume that people are poor because they lack the willpower or intellect to work hard and make the correct decisions. However, new research shows how a scarcity of resources, including financial resources, shapes *everyone's* decisions and behaviors.

Scarcity drains mental resources, narrowing our focus and impacting our choices.

We all have limited “mental bandwidth,” or brain-power, which restricts how much we can focus on at any one time. When we don't have enough of something, this scarcity takes up most of our bandwidth, leaving less brain power for other tasks.ⁱ

- **Food & Drink:** Hungry and thirsty people focus more on food and drink than satiated people.ⁱⁱ This helps explain why many dieters overeat and regain weight after a diet.ⁱⁱⁱ
- **Time:** When people have limited time to complete a task, they focus on the ticking clock, neglecting a broader strategy.^{iv} This is illustrated as people with deadlines take extensions, even when those extensions take up time allocated for other future tasks.^v

Financial scarcity is particularly problematic. With less money, we must plan how to stretch our dollars as far as possible and decide which essential items we cannot afford. Preoccupation with so many difficult decisions can affect *cognitive functioning*.

- When low-income people are asked to think about financial dilemmas, their problem-solving ability decreases. High-income people do not show the same effect.^{vi}
- A field study in India asked participants to solve problems at different times of the year. The same people performed better after harvest, when food and money were abundant, than before harvest, when they were scarce.^{vii}

Scarcity increases negative emotions, which affect our decisions.

Socioeconomic scarcity is linked to negative emotions like depression and anxiety.^{viii} These changes, in turn, can impact thought processes and behaviors.

- People who are anxious or sad tend to be less patient; that is, they value smaller, short-term rewards at the expense of greater, long-term rewards.^{ix} For example, when participants are made to feel sad, they are more likely to choose small, immediate cash rewards than to wait for larger rewards.^x

The effects of scarcity contribute to the cycle of poverty.

Chronic deprivation can diminish psychological bandwidth, harming cognitive capacity and decision-making.^{xi} This is particularly problematic for low-income people, who have less margin for error.

- Low-income people are less likely to adhere to medications,^{xii} and are more vulnerable to missing appointments,^{xiii} playing the lottery,^{xiv} and borrowing at predatory rates.^{xv}

- Low-income people often cope with their financial challenges by taking actions that are useful in the short-term (e.g., delaying bill payment in order to purchase food) but can have costly effects (e.g., incurring expensive late fees).

Thus, poverty could perpetuate itself through cognitive and emotional effects, which can lead to potentially disadvantageous behaviors. **These actions are not the fault of individuals experiencing poverty; scarcity research indicates that these are universal processes.**

Public policies can be designed to mitigate the effects of scarcity.

- Programs that facilitate and incentivize savings, like the federal [myRA program](#) or [H.R.4236, The Financial Security Credit](#), can be implemented.
- Safety net programs (e.g., Medicaid, Section 8 Housing) can take a ‘one-stop shop’ approach, in which registering for one program automatically enrolls the applicant in other programs for which the person is qualified.^{xvi}
- The programs’ enrollment process can be simplified, utilizing shorter applications and free staff assistance, such as the [navigators provided for in the Affordable Care Act](#).
- Social program administrators can provide reminders for relevant deadlines via phone calls, emails, etc. For example, when the Office of Federal Student Aid sent text messages to low-income students to remind them of deadlines, they saw a 5.7% increase in college enrollment.^{xvii}
- Social programs can be more focused on education and individualized support, rather than on penalties for noncompliance.

ⁱ Shah, A. K., Mullainathan, S., & Shafir, E. (2012). Some consequences of having too little. *Science*, 338, 682-685.

ⁱⁱ Ibid.

ⁱⁱⁱ Lowe, M. R., Doshi, S. D., Katterman, S. N., & Feig, E. H. (2013). Dieting and restrained eating as prospective predictors of weight gain. *Frontiers in Psychology*, 4, 1-7.

^{iv} Shah, A. K., Mullainathan, S., & Shafir, E. (2012). Some consequences of having too little. *Science*, 338, 682-685.

^v Perlow, L. (1999). The time famine: Toward a sociology of work time. *Administrative Science Quarterly*, 44, 57-81.

^{vi} Mani, A., Mullainathan, S., Shafir, E., & Zhao, J. (2013). Poverty impedes cognitive function. *Science*, 341, 976-980.

^{vii} Ibid.

^{viii} Lund, C., Breen, A., Flisher, A. J., Kakuma, R., Corrigall, J., Joska, J. A., & ... Patel, V. (2010). Poverty and common mental disorders in low and middle income countries: A systematic review. *Social Science & Medicine*, 71, 517-528.

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^x Lerner, J. S., Li, Y., & Weber, E. U. (2013). The financial costs of sadness. *Psychological Science*, 24, 72-79.

^{xi} Shah, A. K., Mullainathan, S., & Shafir, E. (2012). Some consequences of having too little. *Science*, 338, 682-685.

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^{xvi} Isaacs, J. B., Katz, M., & Kassabian, D. (2016). *Changing policies to streamline access to Medicaid, SNAP, and child care assistance*. Washington, DC: The Urban Institute.

^{xvii} The White House, Office of the Press Secretary. (2015). *Fact sheet: President Obama signs executive order; White House announces new steps to improve federal programs by leveraging research insights*. Retrieved from <https://www.whitehouse.gov/the-press-office/2015/09/15/fact-sheet-president-obama-signs-executive-order-white-house-announces>