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No Money, No Time

By **Maria Konnikova** June 13, 2014 7:19 pm

The Great Divide is a series about inequality.

THE absurdity of having had to ask for an extension to write this article isn't lost on me: It is, after all, a piece on time and poverty, or, rather, time poverty — about what happens when we find ourselves working against the clock to finish something. In the case of someone who isn't otherwise poor, poverty of time is an unpleasant inconvenience. But for someone whose lack of time is just one of many pressing concerns, the effects compound quickly.

We make a mistake when we look at poverty as simply a question of financial constraint. Take what happened with my request for an extension. It was granted, and the immediate time pressure was relieved. But even though I met the new deadline (barely), I'm still struggling to dig myself out from the rest of the work that accumulated in the meantime. New deadlines that are about to whoosh by, a growing list of ignored errands, a rent check and insurance payment that I just realized I haven't mailed. And no sign of that promised light at the end of the tunnel.

My experience is the time equivalent of a high-interest loan cycle, except instead of money, I borrow time. But this kind of borrowing comes with an interest rate of its own: By focusing on one immediate deadline, I neglect not only future deadlines but the mundane tasks of daily life that would normally take up next to no time or mental energy. It's the same type of problem poor people encounter every day,

multiple times: The demands of the moment override the demands of the future, making that future harder to reach.

When we think of poverty, we tend to think about money in isolation: How much does she earn? Is that above or below the poverty line? But the financial part of the equation may not be the single most important factor. “The biggest mistake we make about scarcity,” Sendhil Mullainathan, an economist at Harvard who is a co-author of the book “Scarcity: Why Having Too Little Means So Much,” tells me, “is we view it as a physical phenomenon. It’s not.”

“There are three types of poverty,” he says. “There’s money poverty, there’s time poverty, and there’s bandwidth poverty.” The first is the type we typically associate with the word. The second occurs when the time debt of the sort I incurred starts to pile up.

And the third is the type of attention shortage that is fed by the other two: If I’m focused on the immediate deadline, I don’t have the cognitive resources to spend on mundane tasks or later deadlines. If I’m short on money, I can’t stop thinking about today’s expenses — never mind those in the future. In both cases, I end up making decisions that leave me worse off because I lack the ability to focus properly on anything other than what’s staring me in the face right now, at this exact moment.

“Under scarcity, you devote a lot of resources to the thing you’re lacking,” says Eldar Shafir, a psychologist at Princeton who has been studying poverty for over a decade and is Mr. Mullainathan’s co-author on “Scarcity.” “When people are juggling time, they are doing something very similar to when they’re juggling finances. It is all scarcity juggling. You borrow from tomorrow, and tomorrow you have less time than you have today, and tomorrow becomes more costly. It’s a very costly loan.”

When Mr. Shafir first began to study poverty, he came in with an overarching assumption: The poor made the same mistakes in judgment as everyone else, except theirs ended up being more costly. He soon learned he was wrong. “They were making mistakes that were different. They weren’t the typical decision errors. They were worse,” he recalls. “When you don’t have enough, you focus on the little you have, and it leaves you with less attention.” And the “little you have,” he found, didn’t have to come from financial hardship.

In 2012, Mr. Shafir, Mr. Mullainathan and Anuj Shah, a psychologist from the University of Chicago who had studied under Mr. Shafir at Princeton, teamed up to test how scarcity of the less-noticed kinds would affect decision-making ability and subsequent wealth.

First, they randomly assigned each participant to either “poor” or “rich” conditions. The participants labeled “poor” would have less of a certain resource — time, in some studies, or number of turns, in others. They then had everyone play multiple rounds of a game: “Wheel of Fortune,” a version of “Angry Birds” called “Angry Blueberries” or “Family Feud.” In some situations, a player could borrow the resource in question (time or guesses) from future rounds, either with or without interest.

In the “Wheel of Fortune” study, poor participants were able to make six guesses in each round, while rich ones had 20 guesses. Mr. Shafir and his colleagues found that poor participants engaged more with the game, and consequently became more cognitively exhausted — they performed worse on a subsequent task that measured mental fatigue — and ended up performing significantly worse over all. Knowing how few guesses they had, they worried too much about each guess. As a result, they got too tired too quickly, and the quality of their guesses deteriorated.

But in the “Angry Blueberries” game, the opposite happened. Poor participants (who had three shots compared to the rich’s 15) were again more engaged, taking more time to aim each shot. Now, however, that added intensity allowed them to score more points per shot. Was poverty actually making them better in this game — a case of knowing how to make your dollar stretch further when it’s one of the few you have? Not quite.

We tend to assume that pressure makes us more efficient. I work fastest when I’m on deadline. I stretch my grocery budget the most when my funds are running low. But in reality, it’s not that you’re working better when you’re stressed. It’s that the opposite situation, overabundance, often makes us less efficient.

It’s a fine balancing act: Overabundance makes us less efficient, but we need to reach a certain threshold of sufficiency before that effect kicks in.

Mr. Shafir likens the effect to a traveler's packing a suitcase. If you have a small suitcase, you have to be efficient when you pack, but with a big one, you can afford to leave some slack. True, it takes you less time (and fewer cognitive resources) to pack it, but as a result you may end up not packing it nearly as well. It wasn't that the poor participants were doing better; it was that the rich ones were doing worse.

But that's not always the case. Consider filling out a loan application when you have a big suitcase (so to speak) versus a small one. In the first case, you can compare packages and lenders, think about interest rates and mull over the pros and cons of taking out a loan to begin with. In the second, you're so stressed with obligations that you don't have the time or mental resources to do that. You're far more likely to just take whatever loan is offered to you, even if it's an incredibly bad idea, like a high-interest or exploding loan package or a payday loan. Reflection is a luxury good.

When I ask for an extension, I have plenty of options to consider, including the opportunity to ask for some pressure to be relieved in the first place, and no other outstanding obligations that stand in my way. It's fine if my paycheck arrives a few weeks late or if, in an extreme case, my assignment is canceled. But if I were constantly stressed about time and money, the simple solution wouldn't be so simple: I probably wouldn't have the luxury of choosing it or even of realizing it could be chosen.

Efficiency is always the more exhausting and demanding alternative. Attention is finite. For a while I may be more focused, but I can run on all cylinders for only so long. If I'm forced to operate under constraint all the time, my performance will suffer — and I may not even be capable of recognizing the deficit. Indeed, when the rules of the game were changed so that the “Angry Blueberry” players could borrow shots from future rounds, poor players ended up borrowing significantly more shots and performing significantly worse over all. They had, in a sense, over-borrowed, earning fewer points than they had when their shots were limited but fixed. They were making themselves richer in the immediate term, but poorer over all.

“Abundant time can make us procrastinate. Deadline pressure makes us more efficient,” Mr. Shafir says. “What scarcity does is make you focus. When there's no

scarcity, you relax, you take it easy, and then you wonder, what happened to the day? You're treating time the way the rich treat money."

In three further studies, Mr. Shafir and his colleagues made time their scarce resource, specifically the number of seconds each player had per round in a game of "Family Feud." You could use the time you were allocated, borrow with no interest, or borrow with twofold interest. When borrowing was an option, the poor borrowed more of their total budget than the rich, regardless of interest rate. The more debt they acquired, the more they borrowed. They performed best when they couldn't borrow at all.

Not only did the poor sacrifice future time for the present, but they failed to take advantage of any potential mitigating strategies. When the experimenters showed players a preview of the next round's questions, the rich ones took advantage of the edge, performing better over all, while the poor acted as if they couldn't see the previews at all. They were so focused on operating under scarcity that they couldn't think their way through to a strategy — or, indeed, even realize that an opportunity to do so was available. "Scarcity, of any kind, will create a tendency to borrow," the researchers conclude.

The traditionally poor borrow money at high rates (often the only rates they can get, but even those start looking good compared to the crunch of the present). But they must also borrow time. That's the invisible part of poverty that tends to be missed: Even the little time they have is eaten up by what Mr. Mullainathan calls the bandwidth tax.

Take the example of sugarcane farmers between harvests, a group Mr. Mullainathan and Mr. Shafir followed in subsequent research. He may not have much money in the weeks leading up to harvest time, but he seems to have all the time in the world. Not so. "In a weird way, that's the biggest false illusion people have," Mr. Mullainathan says. "Those farmers sitting on the stoop aren't doing nothing. They're churning." The farmers, in other words, aren't sitting and relaxing. They are sitting and thinking hard about all of their obligations and how they will meet them.

And the most unfair aspect of the whole thing is that the bandwidth tax doesn't affect everyone equally. If you aren't your fully strategic self all the time, so be it. If I miss one deadline — or even two — it's far from the end of the world. But if I'm also poor in the traditional sense? Suddenly, the lack of time has a nonlinear, compounding effect: My bandwidth isn't just a bit more taxed. The tax is completely off the charts, and I have little recourse to repair the damage.

“When you get overloaded and you feel this deadline is overwhelming, you can say, I'll take a vacation, I'll focus on work-life balance,” Mr. Mullainathan points out. “Poor people can't say, ‘I'll take a vacation from being poor.’ It's the same mental process, but a different feedback loop.”

The poor are under a deadline that never lifts, pressure that can't be relieved. If I am poor, I work or I churn until decisions like buying lottery tickets begin to seem like attractive alternatives. I lack the time to calculate the odds and think of alternative uses for my money.

Mr. Mullainathan suggests that the mental bandwidth tax is powerful enough to make the overall problem run deeper. The poor, he says, are “so taxed they don't even realize they have a problem.”

AND of course how much money you have affects how much time you have. “If you keep busyness constant, the rich have it much easier,” Mr. Shafir says. “You can buy nannies and drivers and lawyers and the like. It's easy to give yourself time if you have money.”

If poverty is about time and mental bandwidth as well as money, how does this change how we combat its effects? “When we think about programs for the poor, we don't ever think, hey, let's give them programs that don't use a lot of bandwidth,” says Mr. Mullainathan. Instead, we fault people for failing to sign up for programs that are ostensibly available, even though we don't factor in the time and cognitive capacity they need to get past even the first step.

“If I give people a very complicated form, it's a big demand on cognitive capacity,” Mr. Shafir says. “Take something like the Fafsa” — the Free Application for Federal Student Aid — “Why is pickup for the low-income families less than 30

percent? People are already overwhelmed, and you go and give them an incredibly complicated form.”

To him, the obvious conclusion is to radically change our thinking. “Just like you wouldn’t charge them \$1,000 to fill out a form, you shouldn’t charge them \$1,000 in cognitive complexity,” he says. One study found that if you offer help with filling out the Fafsa form, pickup goes up significantly.

Another possibility is to offer immediate ways to relieve some of the cognitive and time pressures that typically prevent people from saving. “For a while we had impulse savings cards in India,” Mr. Shafir says, as part of a small pilot program with Eko, a provider of mobile banking services. “If you have a dollar in hand, the market gives you many opportunities to spend it. We gave out cards so you could impulsively save it for the future.” Because of the program’s small size — only a few hundred cards were sold — they couldn’t draw any strong conclusions, but the results seem to make for a promising starting point.

Ultimately, Mr. Mullainathan suggests, we need to reimagine our perception of poverty completely. The focus now is on poverty as a fixed, immutable entity. We should view it instead as something far more malleable.

“That’s what I feel is missing in this whole debate,” he says. “In neuroscience, they understand plasticity,” that the brain changes in response to the external environment. “But the poverty field is stuck in 40 years ago,” he says. “I don’t understand why people haven’t grasped that. Even if you’re poor, you have a brain with all the majesty of any human brain. It’s just subject to different pressures.”

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