

New study finds poverty leads people to focus on short term goals while ignoring the long view

November 2 2012, by Bob Yirka

(Phys.org)—A new study done by a team of researchers with business, psychology and economics backgrounds suggests that people who live in poverty tend to make poor long term financial decisions because their economic situation makes it difficult to focus on anything but the near term. They have published a paper in the journal *Science* describing lab experiments they've conducted that they say show that when faced with limited resources, people tend to focus on the needs at hand, rather than the long term, which might explain seemingly contradictory behavior exhibited by poor people, such as taking out high interest loans.

The researchers note that many people over many years have studied the behavior of poor people in attempting to understand why most don't take steps to pull themselves out of their situation. Quite often, instead of saving and planning for the future, for example, those living in [poverty](#) spend all the money they do have on less than necessary items and then borrow money from high interest lenders to pay for necessities such as rent or food. Some have suggested, they say, that many such people suffer from [mental disorders](#) or simply lack the skills necessary to advance themselves.

In this new study, the researchers conducted several experiments meant to discover if living in poverty itself may lead people to make poor [financial decisions](#). All of the trials were based on [volunteers](#) being given a certain amount of resources (playing time and/or points) when playing

a [video game](#) – some were given a lot, others very little. Play was then monitored to judge decision making skills and to compare the choices made by the "rich" versus the "poor." The researchers found that those given [limited resources](#) at the outset, tended to focus almost exclusively on accomplishing tasks at hand, even as they knew their limited time allotment to accomplish goals was running short. To allow play to continue, the researchers introduced borrowing at increasingly high rates. They found that in the game, just as in real life, those with the most limited resources tended to be the heaviest borrowers, despite having to pay the higher cost.

The researchers say their experiments indicate that living in poverty is itself enough to cause people to make decisions that would seem contrary to those looking in from the outside. Because of that, they say, programs to assist the poor should focus on ways of extracting people from their environments and then providing assistance, rather than offering assistance that serves only to allow those living in such conditions to maintain their way of life.

More information: Some Consequences of Having Too Little, *Science*, 2 November 2012: Vol. 338 no. 6107 pp. 682-685. [DOI: 10.1126/science.1222426](#)

ABSTRACT

Poor individuals often engage in behaviors, such as excessive borrowing, that reinforce the conditions of poverty. Some explanations for these behaviors focus on personality traits of the poor. Others emphasize environmental factors such as housing or financial access. We instead consider how certain behaviors stem simply from having less. We suggest that scarcity changes how people allocate attention: It leads them to engage more deeply in some problems while neglecting others. Across several experiments, we show that scarcity leads to attentional shifts that can help to explain behaviors such as overborrowing. We discuss how

this mechanism might also explain other puzzles of poverty.

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