

Economic inequality and instability impacts long-term decision-making around the world: Study

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Would you rather have \$500 today or \$550 in 12 months? A large study involving more than 60 countries finds that individuals across income

groups and locations often prefer immediate gains at the expense of future gains, a phenomenon known as temporal discounting. However, greater individual economic resources and living in a stable and more equal economy make the behavior less likely.

Results of the study appear in the journal *Nature Human Behaviour*. Kai Ruggeri at Columbia University Mailman School of Public Health is the lead author.

More than 13,000 participants from 61 countries completed a simple experiment with questions such as choosing between an extra month of salary now or waiting a year to get an extra month plus another 20 percent. These were followed by similar questions to examine how different answers seemingly contradict each another. Participants also answered questions about their [financial circumstances](#), risk preference, [economic outlook](#), and demographics.

While temporal discounting is widespread across income bands, not surprisingly, the behavior is more common among those with fewer financial resources who have a greater need for money in the short term. However, poor economic environments—not simply "being poor"—are also associated with a tendency to discount future values, with inflation and [economic inequality](#) named in the study as specific factors.

"It stands to reason that being [low-income](#) would encourage taking the smaller, immediate gains, and the data back this up. But we also see that if you are wealthy in a highly unstable economic environment with high inflation and high inequality, you are also more likely to make near-term decisions that can be problematic later," says Ruggeri, Ph.D., assistant professor of health policy and management at Columbia Mailman School.

The researchers also found that people aren't consistent at making

decisions between immediate and future financial options. For example, when choosing between receiving a payment today or a larger one a bit later, most people will prefer to receive the smaller amount today. However, when offered the exact same values but for making a payment (rather than receiving money), most people would prefer to pay the smaller amount today. It would seem we are willing to forego benefits when it comes to faster gains, but we try to avoid losing more when it comes to payments. This is precisely why [credit card bills](#) show payment amounts like "minimum" or "full," rather than "here's how much you'll lose if you don't pay it off now."

"We know that people pay a lot on credit card interest because they like keeping money in their savings accounts. Generally speaking, people like certainty, and will accept lesser outcomes for themselves up to a certain point. Once the potential gains become much higher that preference shifts," Ruggeri explains.

The researchers say their findings could lead to better-informed [economic policy](#), with implications for public health. For example, there are known links between short-sighted decision-making and eating healthy, getting vaccinated, wearing a mask, and exercise. Identifying that preferences for immediate options over future ones are often a direct result of the environment and not simply bad choices can help reshape policies that often harm the most vulnerable.

More information: Kai Ruggeri et al, The globalizability of temporal discounting, *Nature Human Behaviour* (2022). [DOI: 10.1038/s41562-022-01392-w](#)

Provided by Columbia University's Mailman School of Public Health

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