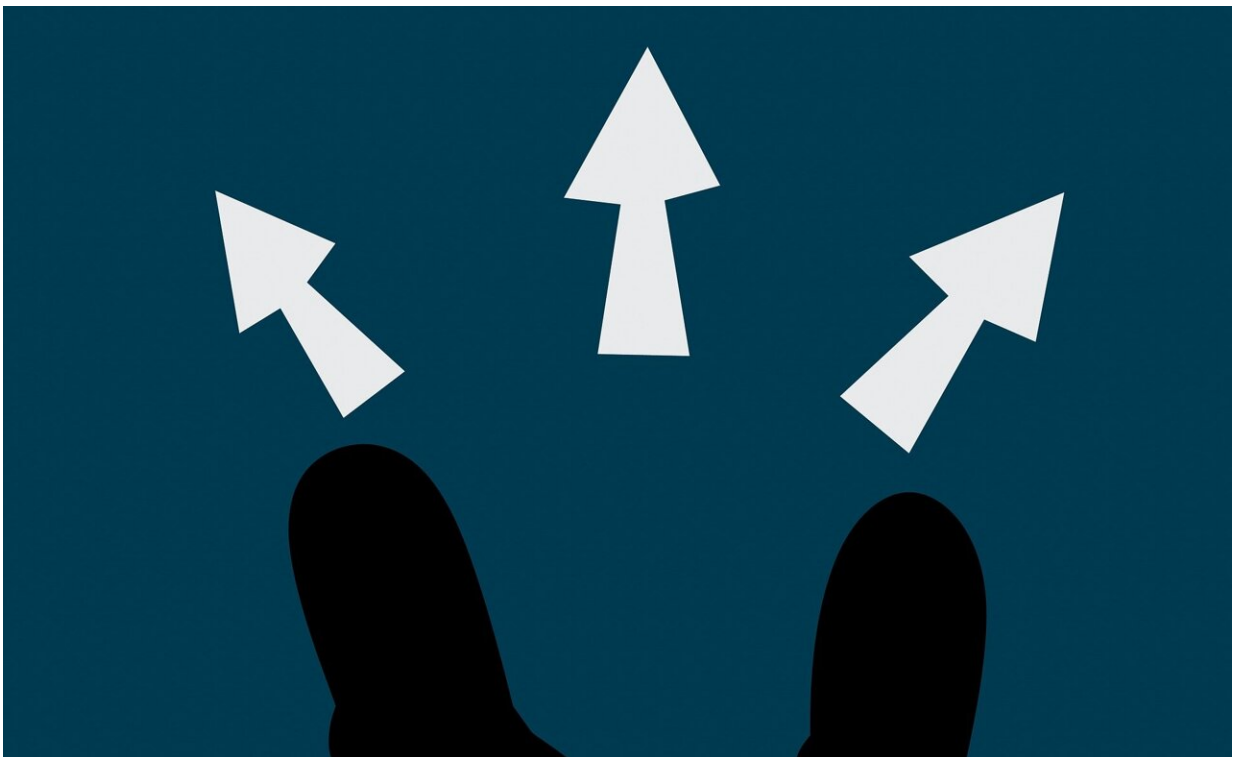


# The psychological poverty trap: How lack of money impacts decision-making, procrastination and loss of control

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Lack of money impacts how a person takes financial decisions: now or preferably later. Procrastination and avoidance behaviors in turn have an effect on lack of money, which can result in a sense of loss of control.

These are the findings of psychologist Leon Hilbert in his Ph.D. research, although the effects are different in every culture.

Social-economic psychologist Leon Hilbert was curious about how lack of money influences decision-making. His research showed that when people are experiencing [financial difficulties](#), they choose for the short term. "They more often opt for 100 euros now rather than 200 euros later. People make this choice based on their financial situation, regardless of their personality."

## **Now or later**

The participants in the study were given a household task where they had to earn money to pay bills. In this experiment the researchers manipulated the incomes so that the [test subjects](#) either ended up in debt or not. Those who had debts preferred to take short-term decisions, even though these decisions resulted in even more financial shortages.

Hilbert said, "If you don't have very much money, you have little chance of putting something aside for later or of going to university so that you can earn more later. There's no room for long-term decisions if you need to put food on the table today."

## **Procrastination and avoidance behavior**

The study further showed that people who have fewer financial resources exhibit more procrastination. This is demonstrated by the long-term survey of a representative sample of the Dutch population, carried out as part of the research. These people don't open letters, for example, or fail to check their bank account. At the same time, their procrastination involves them in greater financial shortages in the future.

"We see a negative spiral of helplessness, lack of grip on your finances, and no opportunity to make improvements; people then start to procrastinate and avoid issues," Hilbert explains.

## **Different cultures**

When people are short of money, their feeling of lack of control is very important. But this does not apply everywhere. In the cross-cultural study carried out in 52 countries, Hilbert found substantial differences in the extent to which lack of money is accompanied by the feeling of loss of control over your life.

Hilbert said, "We actually wanted to see whether the feeling of lack of control was less prevalent in countries that provide state benefits. But the results showed that in these countries, in spite of financial support, people with too little money experienced a greater sense of loss of control."

One possible explanation could be that countries with social provisions often have individualistic values. In collectivist and traditional countries, financial help is more likely to come from family relations. This could mean that people experience less lack of control over their life. You go to friends for money, not to a bank. Traditional and collectivist values ensure that people who have little or no money still experience control over their life.

## **Poverty trap**

Some decisions make the situation worse, especially if people feel they have lost control. "If you have five final demands in the drawer, you feel you have lost control. That reinforces procrastination, which in turn has [negative consequences](#) because you aren't paying your bills. You end up

in a poverty trap because of what the experience of poverty does to you psychologically. Some people manage to find their way out of this."

Hilbert stresses that people are not exhibiting bad behavior, but are doing what is logical given the situation, although this does lead to problems in the long term. "Even so, in their particular situation it was a good decision, because there was no other option."

"The aim of my research is to gain a better understanding of the situation in which people find themselves, because you then see possibilities for other interventions. Not increasing the stress by imposing fines, but allowing people to feel more in control. You might be in difficulties now, but we want you to get out of this situation and these are the steps that will make it manageable. This lets people feel more in control."

**More information:** Ph.D. defense: [Decisions under Financial Scarcity](#)

Provided by Leiden University

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