



Scarcity: The True Cost of Not Having Enough by Sendhil Mullainathan

Book Summary

- Scarcity is more than just the displeasure of having very little. It is a mindset that changes how we think, act and deliberate. It operates unconsciously and captures our attention whether our mind wishes it or not. By staying top of mind, it affects what we notice, how we weigh our choices, how we deliberate, and ultimately what we decide and how we behave. Just as the starving have food forever on their mind, when we experience scarcity of any kind, we become absorbed by it and we often choose differently, creating certain benefits (we are more effective in the moment) while also coming at a cost (our single-mindedness leads us to neglect things we actually value).
- The upside of scarcity, however, is that it can make us more effective by capturing our attention. This enables us to do a better job of managing pressing needs. For example, deadlines are effective precisely because they create scarcity and focus the mind. This power of focus, or “focus dividend”, enables us to do something we could not do easily on our own. Instead of saying that scarcity “focuses” however, we could just as easily say that scarcity causes us to tunnel: “to focus single-mindedly on managing the scarcity at hand, inhibiting competing concepts in the mind”.
- More broadly though, scarcity costs us because we neglect other concerns, becoming less effective in the rest of life. It reduces our “bandwidth”, in that it makes us less insightful, less forward-thinking, and less controlled. It reduces our computational capacity and our ability to: pay attention; to make good decisions; to stick with our plans; to resist temptations.
- The poor are in no shape or form less capable than the well-off. Rather it is because part of their mind is captured by scarcity, that they have lower effective capacity than those who are well off. Unfortunately, the failures of the poor are part and parcel of the misfortune of being poor in the first place. Scarcity is taxing their bandwidth and under these conditions we would all be primed to fail; with scarcity on our mind, we would simply have less mind



space for everything else (for example, our cognitive capacity would be less than a well-off individual who gone one whole night without sleep).

- It is interesting that due to necessity, the poor become experts in the value of money: they are better at making ends meet today. They are able make a euro go further, making them appear to be more rational and much less prone to inconsistencies. This focussed local expertise, however, quickly becomes a hindrance; focus is soon followed by tunnelling and with tunnelling comes a slew of negative consequences.
- Reading Scarcity it has become apparent to me how little we actually notice, or attend to our own fluctuating cognitive capacities. Actively managing our “bandwidth” is something that we really should consider, as we as preemptively “scarcity-proofing” our environment to the best of our ability. By preparing for our inevitable tunnelling, we can insulate ourselves against neglect and make it harder for us to make a bad choice in a single moment.
- So, when we’re making a big decision, it’s probably worth checking that we’re functioning at full bandwidth capacity. If we’re not, maybe it isn’t the right time to decide (and this should also highlight that we should think deeply when inferring individuals’ preferences only from their behaviour).
- In short, it is not that the poor have less bandwidth as individuals. Rather, experiencing and living in poverty reduces anyone’s bandwidth. When we are reasonably wealthy (all relative of course) and scarcity is absent from our lives, this does not just allow us to buy more goods, but affords us the extraordinary luxury of not having to think. As Thoreau observed, “A man is rich in proportion to the number of things he can afford to let alone”.