

# People value resources more consistently when they are scarce

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We tend to be economically irrational when it comes to choosing how we use resources like money and time but scarcity can convert us into economically rational decision makers, according to research in *Psychological Science*.

Research from [psychological science](#) has shown that we humans make economically [irrational decisions](#) all the time, influenced by contextual factors that have no bearing on the utility or pleasure we will derive from a good or a service. We may scoff at the idea of buying a \$4 [hot dog](#) from a street vendor, for example, but have no qualms about getting a \$7

hot dog at a baseball game. The quality of the hot dog is about the same in both scenarios but the context isn't, and that makes all the difference.

Psychological scientist Anuj Shah of the University of Chicago Booth School of Business and colleagues Eldar Shafir of Princeton University and Sendhil Mullainathan of Harvard University wondered whether these irrational tendencies might disappear if we were suddenly faced with scarcity.

"When money is short, the utility bill and rent payment are on the top of one's mind," the researchers write, making trade-offs particularly salient. After all, paying for one thing means we can't pay for something else.

"Someone contemplating purchasing a beer compares the beer with other budgetary demands, like tomorrow's lunch or bus fare. And these trade-offs do not depend on where the beer is purchased," the researchers explain.

Shah and colleagues hypothesized that people experiencing a scarcity mindset would be more attuned to tradeoffs rather than context and would, as such, evaluate goods in a more stable, consistent way than people who aren't faced with scarcity.

The results of three different studies, with a combined total of over 2700 participants, showed that preexisting variation in scarcity—in this case, based on annual income—was associated with differences in how a product was valued. Specifically, high-income participants were willing to pay more for a beer from a "fancy resort hotel" than for the same beer from a "small, run-down grocery store," but the amount lower-income participants were willing to pay didn't vary according to where the beer was purchased.

Another pair of studies showed that high-income participants were more

willing to travel to get a \$50 discount on a \$300 tablet computer than they were for the same discount on a \$500 tablet; and they were more willing to travel for the discount on a \$500 tablet than a \$1000 tablet. Lower-income participants, however, were less sensitive to the proportional size of the discount.

Additional data indicated that scarcity also influences decisions we make regarding resources other than money, including food and time. These findings suggest that a condition of scarcity—such as being on a diet or feeling time-pressured—disposes people to think more consistently about the value of the resource in question, regardless of other contextual factors.

"Instead of looking to external factors that shift haphazardly, people experiencing scarcity look to internally generated standards that provide a more stable frame," the researchers conclude.

According to the researchers, these findings have direct implications for policy interventions aimed at changing various behaviors:

"Policymakers often use framing and subtle contextual changes to nudge behavior in a number of domains, from energy to voting. But recent research highlights the boundaries of such interventions," Shah and colleagues note.

In other words, framing interventions may not make a difference in changing behavior if people are more immediately focused on the trade-offs they'll have to make.

"Under conditions of scarcity, pressing needs capture attention," the researchers write.

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