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Subject: FW: Why More People Can't Escape Poverty

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FYI

From: [REDACTED]

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To: 'Bill Gates'

Cc: Boris Nikolic (BGC3); 'Lowell Wood'; 'Tren Griffin'

Subject: Why More People Can't Escape Poverty

Importance: Low

This is an interesting article from the New Republic – talking about how “will power” is perhaps the most important first step in decision making (or not making) by the poor and how good/bad things seem to predictably spiral from there. Data included with the hyperlinks.

The idea of “commitment products” (especially in the financial realm) for the poor = curious.

Why Can't More Poor People Escape Poverty?

A radical new explanation from psychologists.

Jamie Holmes

June 6, 2011 | 12:00 am

Flannery O'Connor once described the contradictory desires that afflict all of us with characteristic simplicity. “Free will does not mean one will,” she wrote, “but many wills conflicting in one man.” The existence of appealing alternatives, after all, is what makes free will free: What would choice be without inner debate? We're torn between staying faithful and that alluring man or woman across the room. We can't resist the red velvet cake despite having sworn to keep our calories down. We buy a leather jacket on impulse, even though we know we'll need the money for other things. Everyone is aware of such inner conflicts. But how, exactly, do we choose among them? As it turns out, science has recently shed light on the way our minds reconcile these conflicts, and the result has surprising implications for the way we think about one of society's most intractable problems: poverty.

In the 1990s, social psychologists developed a theory of “depletable” self-control. The idea was that an individual's capacity for exerting willpower was finite—that exerting willpower in one area makes us less able to exert it in other areas. In 1998, researchers at Case Western Reserve University published some of the young movement's first returns. Roy Baumeister, Ellen Bratslavsky, Mark Muraven, and Dianne Tice set up a simple experiment. They had food-deprived subjects sit at a table with two types of food on it: cookies and chocolates; and radishes. Some of the subjects were instructed to eat radishes and resist the sweets, and afterwards all were put to work on unsolvable geometric puzzles. Resisting the sweets, independent of mood, made participants give up more than twice as quickly on the geometric puzzles. Resisting temptation, the researchers found, seemed to have “produced a ‘psychic cost.’”

Over the intervening 13 years, these results have been corroborated in more than 100 experiments. Researchers have found that exerting self-control on an initial task impaired self-control on subsequent tasks: Consumers became more susceptible to tempting products; chronic dieters overate; people were more likely to lie for monetary gain; and so on. As Baumeister told *Teaching of Psychology* in 2008, “After you exert self-control in any sphere at all, like resisting dessert, you have less self-control at the next task.”

In addition, researchers have expanded the theory to cover tradeoff decisions, not just self-control decisions. That is, any decision that requires tradeoffs seems to deplete our ability to muster willpower for future decisions. Tradeoff decisions, like choosing between more money and more leisure time, require the same conflict resolution as self-control decisions (although our impulses appear to play a smaller role). In both cases, willpower can be understood as the capacity to resolve conflicts among choices as rationally as possible, and to make the best decision in light of one's personal goals. And, in both cases, willpower seems to be a depletable resource.

This theory of depletable willpower has its detractors, and, as in most academic topics studied across disciplinary fields, one finds plenty of disputes over the details. But this model of self-control is now one of the most prominent theories of willpower in social psychology, at the core of what E. Tory Higgins of Columbia University described in 2009 as "an explosion of scientific interest" in the topic over the last decade. Some skeptics correctly emphasize the vital role of motivation, and some emphasize instead that "attention" is limited. But the core of the breakthrough is that resolving conflicts among choices is expensive at a cognitive level and can be unpleasant. It causes mental fatigue.

Nowhere is this revelation more important than in our efforts to understand poverty. Taking this model of willpower into the real world, psychologists and economists have been exploring one particular source of stress on the mind: finances. The level at which the poor have to exert financial self-control, they have suggested, is far lower than the level at which the well-off have to do so. Purchasing decisions that the wealthy can base entirely on preference, like buying dinner, require rigorous tradeoff calculations for the poor. As Princeton psychologist Eldar Shafir formulated the point in a recent talk, for the poor, "almost everything they do requires tradeoff thinking. It's distracting, it's depleting ... and it leads to error." The poor have to make financial tradeoff decisions, as Shafir put it, "on anything above a muffin."

Last December, Princeton economist [Dean Spears published a series of experiments](#) that each revealed how "poverty appears to have made economic decision-making more consuming of cognitive control for poorer people than for richer people." In one experiment, poor participants in India performed far less well on a self-control task after simply having to first decide whether to purchase body soap. As Spears found, "Choosing first was depleting only for the poorer participants." Again, if you have enough money, deciding whether to buy the soap only requires considering whether you want it, not what you might have to give up to get it. Many of the tradeoff decisions that the poor have to make every day are onerous and depressing: whether to pay rent or buy food; to buy medicine or winter clothes; to pay for school materials or loan money to a relative. These choices are weighty, and just thinking about them seems to exact a mental cost.

In a paper in April 2010, Harvard behavioral economist Sendhil Mullainathan (for whom, full disclosure, I once worked) and MIT's Abhijit Banerjee [applied this same notion to decisions requiring self-control](#). If a doughnut costs twenty-five cents, they wrote, then that "\$0.25 will be far more costly to someone living on \$2 a day than to someone living on \$30 a day. In other words, the same self-control problem is more consequential for the poor." And so, in addition to all the structural barriers that prevent even determined poor people from escaping poverty, there may be another, deeper, and considerably more disturbing barrier: Poverty may reduce free will, making it even harder for the poor to escape their circumstances.

All of this suggests that we need to rethink our approaches to poverty reduction. Many of our current anti-poverty efforts focus on access to health, educational, agricultural, and financial services. Now, it seems, we need to start treating willpower as a scarce and important resource as well.

Some promising approaches have already been tried. Starting in 2002, economists Nava Ashraf, Dean Karlan, and Wesley Yin created and analyzed a unique type of savings account at a small rural bank on the island of Mindanao in the Philippines. The Green Bank of Caraga's SEED accounts (Save, Earn, Enjoy Deposits) let clients place restrictions on when they could access their money. SEED clients could set either a date before which or a minimum savings amount below which they couldn't access their own funds. Twenty-eight percent of existing bank clients who were offered the accounts enrolled in them, and, after one year, the economists found, customers saved over 300 percent more with SEED accounts

than they would have without them. The accounts offered an opportunity to circumvent self-control failure, in the same way Ulysses bound himself to the mast to resist the Sirens' call.

The developed world offers numerous such "commitment products": certificates of deposit, pension plans, government savings bonds, and education savings accounts, to name a few. But, in the developing world, institutional supports for flagging willpower are far fewer. To make use of these new discoveries, similar products that explicitly attempt to reduce willpower costs could be developed in numerous fields, from health to education to agriculture to financial management. This brings up a second, similar point: Comfort goods like washing machines and dishwashers free up valuable time and attention. Think of all the things the wealthy do to spend more time focusing on what's important. They can pay bills automatically, they can hire babysitters and have food delivered, they can have their homes and clothes cleaned for them. But, in the developing world, cost-effective time savers have come much more slowly to those who most need them. Five-dollar, energy-efficient stoves can cut firewood usage, improving children's health and halving the amount of time it takes to gather enough firewood to cook. Small solar panels systems, too, as *The New York Times* recently reported, can play "[an epic, transformative role](#)" in homes off the electrical grid, saving families time and money on kerosene. Broadly distributed, such simple innovations would allow the poor to avoid difficult tradeoff decisions about how they spend their time or even their money.

Third, money itself can go a long way toward altering the dynamic that leads to willpower depletion among the poor. Government transfers of money have proven successful in Mexico and Brazil, for instance. In particular, attaching conditions to these transfers—such as requiring school attendance, regular clinic visits, and savings behavior—may allow for an end-run around the kind of willpower-based poverty traps that too frequently seem to end with the poor making unwise decisions.

Finally, what about the possibility of strengthening the willpower "muscle"? Here, the research is complicated. While one line of research has found reason to think that drained willpower can be restored in the short term—by taking a walk in nature or watching a humorous video, for instance—studies on how to strengthen the willpower muscle in the long term are far less conclusive. This second line of research seems to be more promising in children than in adults. As Kathleen Vohs of the University of Minnesota, who has done extensive research on willpower, put it, "There might be something of a developmental sweet spot." In twelve U.S. states, a program called Tools of the Mind is explicitly aimed at improving willpower functions in prekindergarten and kindergarten children. While some of the strategies would be quite difficult in much of the developing world, many are not, or could be adapted.

Of course, to argue that stressful decisions can exhaust precious mental resources is not to suggest that the decisions of the poor can't be attributed to human agency. Still, while free will is real, it is also subject to complications. The economist Amartya Sen, in his well-known volume [Development as Freedom](#), notes how an individual's "freedom of agency" is "constrained by the social, political and economic opportunities" available to them. He's right: Fewer options do reduce freedom. But now, we may need to grapple with a new possibility: that poverty doesn't simply reduce freedom by constraining an individual's choices, but that it may actually alter the nature of freedom by reducing an individual's willpower.

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