

## Column: The Link Between Poverty and Bad Decisions

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How much money do I waste in a given month by doing most of my grocery shopping at the Whole Foods that's directly on my route home rather than taking the three-minute detour to Safeway? I have no idea. As a business writer, I'm aware that the Whole Foods markup is big on some items and small on others. I know that it sometimes reflects genuinely higher quality and sometimes doesn't. But in my actual life as a person who shops, the main thing is that I prefer Safeway's flour tortillas, so I go there if and only if I want to buy some flour tortillas. Otherwise, convenience is king. All I really need to know is that my grocery spending is within my budget, and even though I'm probably wasting money, it's not worth the time and hassle to think about it too much.

Such are the privileges of affluence. It's not just that you can afford nicer stuff than poor people or have a greater ability to spend money for the sake of convenience. You get to take advantage of what is, in some ways, the greatest convenience of all — the convenience that comes from not having to sweat the small stuff.

A study published in the journal *Science* shows that the stress of worrying about finances can impair cognitive functions. The authors gathered evidence from both low-income Americans (at a New Jersey shopping mall) and the global poor (looking at farmers in Tamil Nadu, India) and found that just contemplating a projected financial decision impacted performance on spatial and reasoning tests.

Among Americans, they found that low-income people asked to ponder an expensive car repair did worse on cognitive-function tests than low-income people asked to consider cheaper repairs or than higher-income people faced with either scenario. To study the global poor, the researchers looked at performance on cognitive tests before and after the harvest among sugarcane farmers. Since it's a cash crop rather than a food one, the harvest signals a change in financial security but not a nutritional one. They found that the more secure post-harvest farmers performed better than the more anxious pre-harvest ones.

These findings complement the already extensive literature of the negative physical impacts of low socioeconomic status, reinforcing the point that the harms of poverty extend beyond the direct consequences of material deprivation.

But the impact on cognitive skills is especially noteworthy for how it should influence our understanding of poverty. Poor people — like all people — make some bad choices. There is some evidence that poor people make more of these bad choices than the average person. This evidence can easily lead to the blithe conclusion that bad choices, rather than economic conditions, are the cause of poverty. The new research shows that this is — at least to some extent — exactly backward. It's poverty itself (perhaps mediated by the unusually severe forms of decision fatigue that can affect the poor) that undermines judgment and leads to poor decision-making.

This effect may be an important psychological underpinning of recent economics research on the merits of unconditional cash transfers to the poor. Researchers have found that one-time grants of cash to poor Ugandans produced large observable gains in income as far as four years down the road. The easiest way to understand that is simply as a tangible return on investment earned by the initial infusion of funds. But perhaps the mental relief provided by the cash cushion actually allowed for sharper decision-making and problem-solving.

Most low-income Americans aren't poor at all by global standards, so evidence from successful anti-poverty programs in the developing world are difficult to apply to domestic poverty. That's why it's so telling and fascinating that a study on the cognitive downsides of poverty would find identical results in New Jersey and Tamil Nadu. Much work on domestic poverty rightly emphasizes the idea of skills and "human capital" needed to navigate a complicated modern economy. This naturally leads to a focus on education, whether in the guise of various school-reform crusades or the push to bring high-quality, affordable preschool to more households. But adults need help, too, and the perception that poor adults — as opposed to presumably innocent children — are irresponsible often leads to reluctance to treat adults as adults who are capable of deciding for themselves how best to use financial resources.

This paternalistic notion that we should be relatively stingy with help, and make sure to attach it to complicated eligibility requirements and tests, may itself be contributing to the problem of poverty. At home or abroad, the strain of constantly worrying about money is a substantial barrier to the smart decision-making that people in tough circumstances need to succeed. One of the best ways to help the poor help themselves, in other words, is to simply make them less poor.

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