

## Economists on How To Make Better New Year's Resolutions

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### How To Make Better New Year's Resolutions

Vow to do less, not more.



*When busy people get busier, it leads to a vicious cycle of falling further and further behind Photograph by Digital Vision/Thinkstock.*

people get busier, it leads to ignored deadlines, a cluttered desk, and a vicious cycle of falling further and further behind. Amid the disorder, a lot of bad decisions get made, and the best means of escape from this cycle may be a moratorium on new obligations.

Shafir and Mullainathan are leaders in the field of behavioral economics, which aims to apply insights from psychology to the study of economic decision-making. In their recent work, summarized in the forthcoming book, *Scarcity: Why Having Too Little Means So Much*, they use behavioral economics to explain why conditions of scarcity—whether of time or money—often lead people to make bad decisions.

Mullainathan and Shafir describe the problem of managing money as being akin to packing a suitcase. Someone with plenty of time has a near-empty suitcase. It requires little attention or effort to decide whether to [go to a movie on the spur of the moment](#). By contrast, those with crowded schedules have a full suitcase: Adding a new item means removing something that's already been packed. Deciding how to rearrange your metaphorical suitcase takes time and energy and can lead to stress and sleepless nights. Indeed, the shortage of space itself can be responsible for bad decisions that, in turn, only make the problem worse.

This may sound counter to your own experiences. Some people feel they're at their most productive when work has piled up and deadlines are looming. Mullainathan and Shafir wouldn't disagree. But they caution that these pressures cause what they call "tunneling": a laser-like focus on the tasks immediately at hand, which often results in a disregard for the bigger picture. You may be focusing on that deadline at the expense of your long-term happiness.

It's not that the poor don't think enough about money, or the busy about their time—it's that they think about it too much. Shafir likes to cite a survey the researchers did at Boston's South Station. They asked arriving train passengers what the starting fare is on Boston taxis. Rich travelers take more cabs than poor ones, but low-income respondents were much more likely to know what it costs to take a cab, because in thinking about the decision

It's that season again, when we resolve to accomplish a list of goals in the coming year. Not infrequently, these are the goals that we were resolved to accomplish during the preceding year.

If you were to ask Princeton psychologist [Eldar Shafir](#) or Harvard economist [Sendhil Mullainathan](#) for a better New Year's strategy, they'd likely suggest that the best resolution you can make is to do fewer things in 2013. The researchers argue that when busy

between taking a cab or a bus, a couple of dollars one way or another really matters. This attentiveness ensures that they have enough cash to finish the day, but all of these immediate distractions—deciding whether to buy a muffin or some other minor indulgences; comparison shopping cereal brands; calculating and recalculating expected expenses against a dwindling bank balance—threatens to leave no mental space to consider the bigger picture of managing finances for the long-term. (The time-scarce similarly expend so much effort dealing with the minutiae of getting through the day that they fail to think about making their lives less harried and more productive in the future.)

Mullainathan, Shafir, and a number of other researchers have been running lab experiments to understand the impact of time pressures on decision-making. Together with University of Chicago psychologist [Anuj Shah](#), they ran a [lab experiment](#) based on the old game show [Family Feud](#), using Princeton undergraduates as their subjects.

“Contestants” were asked to name items that belong to categories like “Things Barbie could auction off if she needed money fast.” The responses were a matter of subjective judgment rather than fact; the “right” answers were those that had been most popular among 100 random Americans who were surveyed prior to the “show.” For example, the answer “Barbie’s dream car” earns 35 points because 35 out of the 100 people had offered that as an answer. The contestants were given only a few seconds to come up with a set of answers. But some experienced more scarcity than others: “Rich” ones had more time for each round than “poor” ones.

The time-scarce contestants played the Feud with greater focus, throwing out more answers and getting more correct responses per second. They were exhibiting the tunnel-vision brought on by scarcity. But a funny thing happened when the experimenters introduced the opportunity to borrow against future rounds, at a usurious interest rate of one second now in exchange for two seconds in subsequent rounds. The time-scarce, focused as they were on the round in progress, were much more likely to borrow. Introducing the possibility of borrowing resulted in lower scores for the time-poor overall—the seconds they borrowed in desperation during early rounds resulted in very short times later on, so short that it hindered their performance rather than helping it.

The Feud contestant who shortsightedly undermines his future by trading two future seconds for one second in the present helps to illustrate the mindset of a person making a decision when faced with scarcity. A time-starved person rushes to meet deadlines without taking the time to order his affairs for the future, and thus sinks further and further behind. And the further behind he falls (on time or money) the more his mind wanders away from what he should be thinking about, like his long-term finances or his crammed calendar, and back to the mess of the present.

When you think about the distracting and sometimes paralyzing effects of scarcity in this way, you can appreciate how someone living paycheck-to-paycheck and intent on paying this month’s rent and utilities may end up so focused on this immediate goal that he digs a deeper financial hole, by taking out payday loans or otherwise mortgaging the future. The stresses of scarcity leave insufficient energy and attention to make sensible long-run decisions. Essentially, Mullainathan and Shafir argue that the poor aren’t necessarily impoverished simply because they make bad financial decisions. Rather, it’s the stresses of poverty that lead to bad financial decision-making in the first place. And again, the same goes for the time-deprived: Harried people make bad decisions about their time because they’re so starved for it.

Which is why I, like other time-crunched professionals, would do well to resolve simply to take on fewer obligations in the new year, rather than resolving to [learn Mandarin](#) or [pick up moose hunting](#). By taking on more, odds are I’d compensate by being a lesser parent, researcher, and writer.

Of course, many resolutions this time of year are more about what we want to give up, rather than add, to our lifestyles—quit smoking, eat less, and so forth. Here, too, Mullainathan and Shafir’s theories provide some guidance. Recall that we spend much of our lives in tunnel vision focused on immediately pressing tasks. Long-term goals and self-improvement rarely sit within our narrow view.

But occasional periods of self-reflection—like the days of reckoning that arrive in late December each year—provide an opportunity to think about what we want to put in the suitcase that constitutes our lives. The advice that Mullainathan and Shafir have for resolution-makers isn’t that you refrain from trying to better yourself, but rather that you lock in commitments to self-betterment that won’t require vigilance or attention in the year ahead. So while it’s on your mind, go ahead and increase the default contribution to your pension plan; buy a smaller fridge that

won't hold as much ice cream; force Outlook to block off every Friday afternoon to clean up your desk and the rest of your affairs; and use both the time and mental space that commitments like these can free up to stay on top of the workload and pressures that are already part of your daily life.

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