

Scarcity and Inattention

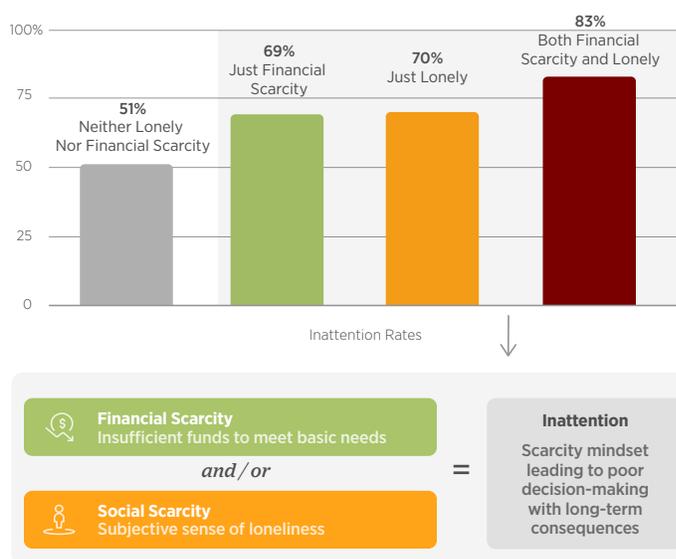
Based on BFI Working Paper 2022-76, “[Scarcity and Inattention](#),” by Ariel Kalil, Susan Mayer, and Rohen Shah of the Harris School of Public Policy at UChicago

When parents struggle financially or experience loneliness (financial and social connections scarcity), their attention to other responsibilities drops significantly, often resulting in poor decision-making that can exacerbate the problem and trap them in a “scarcity mindset.”

People can only do so much. When confronted with scarcity, including money or friendships among other concerns, people naturally tend to focus on those shortages, which can lead to inattention to other important matters. For parents struggling to meet such shortfalls, this inattention can redound to their children. More broadly, this “scarcity mindset” can lead to poor decision-making on actions with long-term consequences, thus perpetuating a “scarcity trap.”

To examine this phenomenon, the authors focus on two types of scarcity relevant to the COVID-19 pandemic in the lives of parents with young children: financial scarcity, subjectively defined as insufficient funds at the end of the month to meet basic needs; and social scarcity, or people’s subjective sense of loneliness. The authors examine data collected from low-income parents of preschool-age children and from the directors of those children’s preschool centers, which closed March 17, 2020, due to a statewide stay-at-home order.

Figure 1 • Inattention Rate by Financial Scarcity and Loneliness



Note: The authors sorted participants into four mutually exclusive categories: those with neither financial scarcity nor loneliness, those with just financial scarcity, those with just loneliness, and those with both financial scarcity and loneliness. This figure illustrates the inattention rate for each of these groups.

In particular, the authors study the degree to which parents were aware of information they received from the preschool centers, which the authors analyze *vis a vis* parents' reports of financial scarcity and loneliness, to find the following:

- Financial and social connections scarcity are significantly positively associated with inattention.
- Further, financial scarcity and loneliness are largely independent phenomena and have roughly equivalent impacts on inattention.
- Specifically, parents who report a financial or social scarcity mindset are 63 percent more likely than their counterparts to be inattentive to information that was sent by the schools about resources to help them during the COVID-19 pandemic.

This work contributes to the nascent body of literature that highlights the role of resource scarcity in individuals' cognitive attention. For example, a large literature discusses why people fail to act on information even when they attend to it because of present bias and other cognitive biases. However, if people do not even attend to information (as it was provided) when they are experiencing scarcity, suboptimal behavioral choice will remain a problem. The authors acknowledge that information alone is rarely enough to motivate behavior change, but information is often a key first step, and understanding people's mindsets is important in effecting change.

READ THE WORKING PAPER

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ABOUT THE SCHOLARS



Ariel Kalil

*Daniel Levin Professor,
Harris School of Public Policy*
harris.uchicago.edu/directory/ariel-kalil



Susan Mayer

*Professor Emeritus, Harris School
of Public Policy and the College
of Public Policy*
harris.uchicago.edu/directory/susan-mayer



Rohen Shah

*PhD Student,
Harris School of Public Policy*
harris.uchicago.edu/directory/rohen-shah



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