

## Willpower, Poverty and Financial Decision-Making

Whether you're lured by new shoes or a new car, the temptation to buy is a familiar test of will. Just as unhealthy food choices have become ubiquitous, so too have opportunities for impulse spending. ATMs are everywhere, and online shopping means you can burn through your savings without ever leaving the couch. And, as in other areas of life, from overeating to resisting alcohol, people's purchasing behavior has been shown to be subject to willpower depletion.

Kathleen Vohs and Ronald Faber, a professor of mass communication at the University of Minnesota, studied willpower depletion and impulse buying. They showed volunteers a silent film clip in which a series of common one-syllable words appeared across the bottom of the screen. Some of the participants were instructed to actively ignore the words, a task known to require self-control. Afterward, participants paged through product listings for objects such as watches and cars and then reported how much they'd be willing to pay for each item. Subjects who had exerted self-control in the video task were willing to spend considerably more — \$30,037, on average, versus \$22,789 — than participants whose self-control hadn't been run down.

In a second experiment, Vohs and Faber tested subjects' actual spending behavior by presenting them with an opportunity to purchase low-cost items such as mugs and playing cards. Those who had previously exerted self-control in a lab exercise reported experiencing more temptation to buy. And in fact, they purchased a larger number of items and spent a greater amount of money than did participants who hadn't performed the willpower-draining task.

Financial decision-making may be even more challenging for people living in poverty. Princeton University doctoral candidate Dean Spears conducted a series of experiments in rural India to explore the link between willpower strength and poverty. In one, he visited two villages of different financial standing and offered people a chance to purchase a popular brand of body soap at a significantly discounted price. The soap was a good deal, but it still represented a difficult financial choice for individuals living in poverty.

Before and after the soap was offered, the participants were asked to squeeze an exercise handgrip, a common test of self-control strength. Spears found that

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### FURTHER READING

Ashraf, N., et al. (2006). Tying Odysseus to the mast: Evidence from a commitment savings product in the Philippines. *The Quarterly Journal of Economics*, 121, 635–672.

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richer participants squeezed the handgrip for about the same length of time before and after the soap-purchasing opportunity. Poorer participants, though, squeezed for a significantly shorter duration the second time around. Their willpower strength, he concluded, had been run down by their difficult financial decision-making.

In another study, Spears turned his attention to a cross-section of American shoppers. All shoppers, rich and poor, engage in economic decision-making. But financial decisions that are quick and easy for richer shoppers are likely to represent difficult tests of self-control among people who are financially insecure. Therefore, poorer shoppers, Spears reasoned, would likely experience a greater depletion of their willpower as they faced repeated, difficult financial decisions. And in fact, he found that poorer individuals were considerably more likely to consume food and drink while shopping than were richer individuals — an indicator that financial decision-making had run down their self-control stockpiles.

There is a silver lining to this research. If people in poverty are more prone to willpower depletion, then perhaps reducing the number of difficult decisions they must make can help to maintain their stores of self-control for future decisions. Harvard Business School economist Nava Ashraf, PhD, and colleagues demonstrated that effect among bank customers in the Philippines. They offered the customers a chance to open individual savings accounts, with a catch: The customers could withdraw their funds only after they'd reached a target date or target savings amount that they themselves had chosen. After a year, participants who enrolled in the accounts saved 82 percent more than customers in a control group who had not opened the special accounts. Eliminating the decision of whether to spend or save helped customers avoid willpower failure.

Together these findings suggest that people at the low end of the socioeconomic spectrum may be particularly vulnerable to a breakdown of their willpower resources. It's not that the poor have less willpower than the rich, rather, for people living in poverty, every decision — even whether to buy soap — requires self-control and dips into their limited willpower pool.