

What do marshmallows have to do with the rest of your life?



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Economics

“Economics is about how people choose.”

(Gwartney, Stroup, Sobel, and Macpherson 2006, p. 3)

“This... economic way of thinking, has several critical and closely interrelated features ... scarcity and choice, purposeful behavior, and marginal analysis.”

(McConnell, Brue, and Flynn 2015, p. 5-6)

“Economics is the study of choice under conditions of scarcity.”

(Mankiw 2008, p. 1)

Intertemporal substitution?

Fancy words, meaning are you willing to wait?

<https://www.youtube.com/watch?v=amsqeYOk--w>



But will you wait for the second marshmallow?

- In your life you won't see marshmallows everyday
- *Decisions everywhere, all the time*

Go to the gym today

Study for exam next week

Save for retirement

Stay late at work

Check your phone in class!

All involve costs now, benefits later

Behavioral economics!

- *Economics can inform us about this (and many other things)*
- *Behavioral Economics - study the effects of psychological, social, cognitive, and emotional factors on the economic decisions of individuals*

So what can you do to help yourself wait for the second marshmallow?

- Ulysses contracts: self-imposed deadlines or penalties
 - Commit to make payment to charity if you fail or exhibit behavior you want to avoid
 - For me, I go to the library. I find by placing myself in situations with fewer distractions (or essentially nothing to do other than work) I am more apt to do what I should
 - If shopping is problem, freeze credit card block of ice on Thanksgiving
- Be creative!

So what can you do to help yourself wait for the second marshmallow?

- Publicly stating intentions to do something, thus makes it public knowledge if you do not do as you say

Have an “accountabili-buddy” (South Park reference), someone who can and will point out if you fail in an intention.

So what can you do to help yourself wait for the second marshmallow?

Reward substitution

Pair benefit when you successfully do something in long term interest

Examples: If study one hour, then go on facebook five minutes, or if study two hours each night pair something you like. Shopping, eating out, going out.

Make rewards (or penalties) contingent upon completing the task

Where are we headed?

Most of the world and advertisers tell you that instant gratification is good. Many things worth having are easier obtained when we wait or only obtainable with investments of time and effort.

World drifting toward more and more constant distractions and urging you to enjoy instant gratification.

Dan Ariely's Predictably Irrational

