

## **The Economics of Impatience, millions of bitten nails**

In recent times, anxiety and its relationship to the business cycle began to be studied by multidisciplinary teams of psychologists, neuroscientists and economists

Sebastián Campanario, LA NACION, Sunday August 14 2016.

A week ago Federico Weinschelbaum, professor at the *University of San Andrés* and researcher at CONICET, was asked by email an opinion on the “economics of impatience” but the answer has not arrived yet. Could he have forgotten? Would it be good to send him a reminder, or would he get offended? The note should be written already; nerves and stress are increasing: it cannot take him that much time. These economists believe that one has all the time in the world.

Impatience (or anxiety), one of the central phenomena of society in recent decades, however has little space on the agenda of academic economics. To the writer Norman Mailer being anxious is “the natural role of human kind in the twentieth century.” The costs associated with this state, in terms of deteriorating health and biased decisions are enormous. Still, Weinschelbaum says that “talking about «the economics of impatience» sounds a bit too much” because the papers published on this subject can be counted with both hands’ fingers (in this case, fingers with bitten nails).

The Chairman of the Economics Department at *San Andrés* recently published an article in the *American Economic Journal of Microeconomics* (with three co-authors: Levine, Modica and Zurita) where, using a game-theoretical model, reaches a counterintuitive result: perhaps in this world impatient people do better than we think.

The conclusion goes against what had been written so far. The brief literature on the subject originated in evolutionary psychology, that assumes that in the long run the individuals who do better survive. And in models of one-person decision problems the patient individuals do better, and therefore in the long run they are all non-anxious. Some authors, like Blume and Easley, even claim that in the long term patience is a more powerful weapon than intelligence. They published this idea in *Econometrica* in 2006, in an article entitled: *If you're so smart, why aren't you rich?*

But in the context of social interaction things are different. “In a game, the impatient can do better than the patient. In a simpler framework, being impatient is not beneficial because the impatient’s decisions are not the best. However, when the others know that you are impatient, and take that into account, they act differently—and that can be beneficial to you. In a bargaining game being impatient can be an advantage: A threat of punishment in the future can be very useful against a patient opponent, while at the same time not being perceived as dangerous by an impatient one. Consequently, the impatient is willing to give less in a negotiation to avoid punishment,” says the Argentinean economist.

According to Weinschelbaum, “there are situations in which not only it is optimal to be impatient from a «private» point of view, but also from a social one. People can satisfy their needs either by producing or by appropriating someone else’s production through conflict, at some social cost. The best outcome from a social point of view would be than no one engaged in appropriation through conflict. But as a «second best» it is better that these individuals (the thieves, the corrupt, etc.) be

impatient so that they wouldn't invest resources on improving their organization and put themselves in situations that are detrimental to the functioning of society". Weinschelbaum prefers not to make a direct reference to Argentina. But if this explanation were narrated in a documentary, the scene of an uncontrolled and anxiety-attacked Jose Lopez throwing bags by the convent's wall could be used.

In recent times, anxiety and its relationship to the business cycle began to be studied in detail by multidisciplinary teams that combine knowledge of psychologists, neuroscientists and economists. Robert Levine, a professor of psychology at the University of California that visits Argentina from time to time, is one of the world's leading authorities in studies on the perception of time (which varies widely between different cultures).

Levine wrote a fabulous book, *A geography of time*, which in Argentina was edited by Siglo XXI in a collection directed by Diego Golombek. There he tells how he designed experiments that led his research team to travel the planet measuring how long it takes —always on average— in each society for someone to push the "close door" button in modern lifts, or how much time it elapses between the traffic light turning green and the first honk at a car that won't move, or how long it takes to the "phrase completers" to say that word that the interlocutor cannot say but is at the tip of her tongue. He failed to measure the nibbling of ballpoint pen caps.

Levine found high values of anxiety for Argentina, and the same was found in a study of the advertising agency JWT, five years ago, which puts the local population at the top of the anxious-people ranking of Latin America. At the local level, 25% of people define themselves as "anxious or very anxious."

One hypothesis that borders this agenda is that the abrupt cycle of the Argentinean economy (the country has one of the three most volatile macro-economies in the world: its historical volatility is, for example, three times that of Brazil) leads its citizens to be more anxious and impatient: We are always asking, like children in the back seat on a long car trip, "how much longer?" —in this case to the second semester, either for reactivation or for everything to explode.

Adolfo Canitrot, as far back as the 1970s, said that individual economic behavior is derived from a particular form of bounded rationality that came from people building their decisions from the macro to the micro. And since the macro had the particular nature of exposing us so many times to cycles of "stop-go", crises and volatility, some precautionary behavior appeared that obviously had costs associated. On the one hand this home bias leads to postpone decisions and on the other leads to commit mistakes.

Just now the cell light went on: the email with Weinschelbaum's answers arrived. All right. I need to take a deep breath, relax, and write the column fully mindful of the present.