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COMMERCE AND CULTURE MAY 2009 ATLANTIC

For some people, spending just doesn't come naturally—especially in a recession. Behavioral economists have a solution

by [Virginia Postrel](#)

The Gift-Card Economy

ILLUSTRATION BY PETER ARKLE

MOTHER'S DAY IS coming up. Which do you think Mom would enjoy more—a day-spa gift certificate that expires at the end of June, or an otherwise identical gift certificate that expires a year from now?

The answer is obvious. Longer is better, of course. Mom will have a higher chance of making it to the spa if she has a whole year to find a convenient time.

Perfectly logical—and probably wrong. Mom might actually be happier with a shorter-lived gift card, new social-science research suggests, because she'd be more likely to use it.

Paradoxically, people don't put off only unpleasant tasks like doing taxes or cleaning out the garage. They also procrastinate on enjoyable experiences like going to the spa. Tight deadlines can force people not only to get work done (or to make that Mother's Day phone call) but to have fun as well.

"While individuals given a longer time frame are more positive about and expect to be more likely to complete an enjoyable task, they are actually less likely to do so," the behavioral economists Suzanne B. Shu and Ayelet Gneezy write in an article under review at the *Journal of Marketing Research*.

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Their research belongs to a relatively new application of behavioral economics: looking at situations in which people seem to exercise too much self-control, rather than too little. In an economic environment where shopping seems like a sin, this research provides clues that could help businesses attract customers. It even suggests that some of the manipulations designed to lure our dollars may redound to our own good.

Behavioral economists, whose work combines the techniques and ideas of economics and psychology, have long focused on what Thomas Schelling, the 2005 Nobel laureate, called the “intimate contest for self-command”—the all-too-familiar inner conflict between the would-be disciplined self who wants to get up early, exercise, and lose weight and the pleasure-seeking self who prefers to sleep in, watch TV, and eat chocolate. These two selves, Schelling noted, don’t necessarily exist at the same time. The disciplined self imagines future virtues, while the pleasure-seeking self succumbs to present urges. “If the person could make the final decision about that action at the earlier time, precluding a later change in mind,” Schelling wrote in 1983, “he would make a different choice from what he knows will be his choice on that later occasion.” (See “[First Person Plural](#),” by Paul Bloom, in the November 2008 *Atlantic*.)

To force our future selves to do the right thing, we look for ways to commit to that behavior in advance—by putting the alarm clock on the other side of the bedroom, making an appointment with a personal trainer, or throwing out the leftover Halloween candy. As the economy turned down, more than half of the female shoppers (and nearly half of all the shoppers) surveyed by WSL Strategic Retail said they’d begun to avoid even entering stores where they might be tempted to overspend. (A third of all the female shoppers, however, said they’re staying home so much they “feel like a hermit.”)

The intimate contest for self-command can apply to pleasures as well, and for similar reasons. In the here and now, we want to behave one way in the future, only to change our minds as that future nears and the immediate costs of our plans become more real. Yet, looking back from the still-farther future, we wish we’d indulged—just as, looking back on our lazy morning in bed, we wish we’d gotten up and worked. If our future self and our past self could gang up on our present self, we’d behave differently.

Take those gift-certificate deadlines. In an experiment, Shu and Gneezy first surveyed 80 undergraduates, asking how they would feel about a gift certificate for a slice of cake and a beverage at a local café and how likely they were to use it. Forty-two survey participants were asked to consider a certificate good for three weeks, and 38 were asked about a two-month certificate. More than two-thirds of the group with the longer deadline said they would use such a coupon; only half of the group with the shorter deadline said they would.

Shu and Gneezy then ran the experiment in real life, with a different group of 64 undergraduates. Half the participants got certificates good for three weeks and half for two months. Both groups were far less likely to cash in their cake coupons than predicted. And contrary to predictions, the shorter deadline encouraged more indulgence. Ten out of 32 people redeemed the three-week certificate; only two of 32 used the two-month pass. Those who redeemed their certificates said they’d enjoyed themselves, while those who didn’t said they regretted letting the deadline slip. They gave reasons like “I was too busy and ran out of time” or “I kept thinking I could do it later.” The pressure of a shorter deadline encouraged people to stop procrastinating and enjoy themselves.

Similarly, Shu and Gneezy found in surveys (as we all know from our own experiences) that tourists with limited time are more likely to visit local attractions than are residents, who presumably can go whenever they want. In fact, residents tend to make their tourist-like visits when they have out-of-town guests or when they’re about to move away. With no immediate reason to hit nearby landmarks, locals put off for tomorrow what they might enjoy today.

“What I think is happening,” Shu told me, “is that when people think about the future, they’re

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very focused on the gains and the positive outcomes. The benefits are really appealing when they're far off in the future, and people just don't see the costs at all. Whereas if it's tomorrow, the benefits are similar but the costs are huge and in their face." A Saturday at the museum sounds great until you have to leave your errands undone and find a place to park. You wind up sticking to your routine, even though you'd be happier breaking it.

Ran Kivetz, a marketing professor at the Columbia Graduate School of Business, calls this pattern "hyperopia," in contrast to the "myopia" that behavioral economists traditionally investigate. Myopia includes shortsighted behaviors like overeating or failing to save for retirement; hyperopia entails, as Kivetz put it in the *Journal of Consumer Research*, "excessive farsightedness and future-biased preferences, consistently delaying pleasure and overweighing necessity and virtue in local decisions." Hyperopic people weight imagined future benefits so heavily that they don't enjoy themselves today and later regret hoarding their time or money. Just as deadlines and precommitment can fight the inertia of myopia, they can also help beat hyperopia.

To lure customers, Shu says businesses need to provide "a justification and a deadline," citing Disneyland as an example. The park promotes a visit as "a special occasion" for creating lasting memories—exactly the sort of experience that Kivetz's work suggests people value in retrospect—and it also gives visitors a free pass on their birthday. "They've convinced people to take advantage of that special occasion, and bring other people along," notes Shu.

Like Disneyland, luxury retailers have long had to figure out how to overcome customers' natural inertia. Unlike less pricey stores, they tend not to attract idle browsers who make impulse purchases. "You may only see customers a couple of times a season," says Michael Calman, a luxury-retailing consultant and former senior vice president for marketing at Bergdorf Goodman. "You're looking for ways to increase that visit rate."

Special events, such as charity benefits or trunk shows, are time-honored ways for high-end stores to give customers justifications and deadlines. Another technique, which could be adapted by other businesses, is a short-term promotion in which customers earn quickly expiring gift cards. For every \$500 spent, a customer might get a \$50 gift card good for a two-week window starting a week later. Alternatively, customers who regularly buy clothes but not accessories might be offered gift cards good only for purses or shoes, or buyers in the women's department might get cards for the men's department. Two local businesses could even cooperate by, for instance, offering restaurant diners a \$10 gift card at a wine store for every \$100 they spend on meals.

The deadlines get shoppers into stores, the tiered promotions encourage them to stretch their spending a bit, and the incentive system provides a justification. Calman, who pioneered this program at Bergdorf's, says, "The customer feels that through shopping this type of promotion, they have actually earned the gift card." With the card's use-it-or-lose-it deadline fast approaching, customers tend to come back quickly.

During the stimulus debate, some economists, including Edward Leamer of UCLA, suggested that quickly expiring gift cards might boost the economy more effectively than temporary tax cuts, which people tend to put toward savings. Although you could use a government-issued gift card for groceries you'd buy anyway and bank the savings, people tend to treat gift cards differently. When you get a gift card, Leamer noted, you not only tend to spend it on something you wouldn't otherwise buy, but often wind up spending a bit extra—the perfect prescription for Keynesian stimulus.

Whether designed to boost a sagging economy or just generate sales, these promotions naturally raise the question of whether consumers should succumb to such lures. Which is the real you: the present self who wants to stay in bed rather than exercise and who runs errands instead of visiting a museum, or the future you who wants to be fit and have happy memories?

The you who avoids temptation by staying out of the mall, or the you who wishes you hadn't been such a hermit?

They are both real, of course. The intimate contest for self-command never ends, and lifetime happiness requires finding the right balance between present impulses and future well-being. We know we need bosses and deadlines to help us get work done. But sometimes we can also use an external push to make us have a good time. In both cases, our future self will appreciate the help.

Virginia Postrel is an Atlantic contributing editor and the editor in chief of [deepglamour.net](#). She is writing a book about glamour.

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