

WHAT ATTRACTS LOW INCOME CONSUMERS TO BAD FINANCIAL ADVICE AND TO IMMOBILIZE WHEN THEY GET GOOD ADVICE?

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Quote attributed to Mark Twain in the opening of the movie: The Big Short

“It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.”

Agenda

1. What brings me here?

- 14 years of presentations to low income people

2. Five “schools of thought”:

- Agnotology
- Dunning-Kruger effect
- Financial innumeracy and ‘splitting the difference’
- Conditions of successful degradation ceremonies
- Importance of **colour palettes**

3. Bringing the schools of thought together

- How good advice can win and the bad fail

4. What can we take away?

- New effective ways to work!

Foreword & Acknowledgement

- Many other schools of thought and strategies:
- Planning and learning; discipline and homework
- On the political right:
 - Tough love
 - Ruby Payne & Eliza Doolittle (*By George, I think she's got it!*)
 - Obligations & responsibilities
 - The 'stick': motivation through deprivation
- On the political left:
 - Bandwidth: poverty impedes cognitive function
 - Social supports
 - Rights and anti-oppression
 - The 'carrot': motivation through encouragement

What brings me here?

- 14 years of presentations to low income people
 - West Neighbourhood House (St. Chris.)
 - Retiring on a low income in the Toronto Library System
 - Women Speak out
 - Houselink
 - Voices from the Street
 - CAMH
 - 'Church basements'
 - City Council
 - Webinars

What brings me here?

- Arguing with low income consumers about what they know for sure that just ain't so.
 - E.g. what you have to buy at a bank
 - What they are eligible and not eligible for
 - How the tax system works
- Watching low income consumers getting good advice and not acting on it (immobilizing)
 - E.g. not cashing in RRSP's when they should
 - Not borrowing money when they should
 - Not saving in a TFSA
 - Going to payday lenders

What brings me here?

- Interest in deconstruction of ideas and behavioural patterns
- Watching certain people continue to fail when they “know better”
- Watching the ‘odd’ (= rare) low income consumer succeed

AGNOTOLOGY

“the study of culturally induced ignorance or doubt”

Agnotology: What is it?

From Wikipedia

- “the study of culturally induced ignorance or doubt, particularly the publication of inaccurate or misleading scientific data”
- “the term also highlights the increasingly common condition where more knowledge of a subject leaves one more uncertain than before.”
- “There are many causes of culturally induced [ignorance](#). These include the influence of the media”
- “Corporations and governmental agencies can contribute to Agnotology through [secrecy](#) and [suppression](#) of information, document destruction, and myriad forms of inherent or avoidable culture or political selectivity, inattention, and forgetfulness.^[6]”

Agnotology: What is it?

From Wikipedia

- “A prime example of the deliberate production of ignorance cited by Proctor is the [tobacco industry](#)'s [advertising](#) campaign to manufacture doubt about the [cancer](#) and other [health effects](#) of [tobacco use](#).
- Under the banner of science, the industry produced research about everything except tobacco hazards to exploit public uncertainty. [\[5\]\[7\]](#)
- Agnotology also focuses on how and why diverse forms of knowledge do not "come to be", or are ignored or delayed.

Agnotology: Why do institutions mislead?

- If they are believe they could go out of business (smoking)
- If a mandate is unachievable or impossible (worried that the good they do will be ended)
- Simple uncertainty
- Worried that the business model would not work and can't make money under any circumstance.
- **Question: Financial institutions providing bad advice and services to low income people**
 - **Is this a case of Agnotology at work?**

Financial Services:

A case study in Agnotology?

- Agnotology holds that (although important), the explicit motive of an institution or business to mislead ultimately does not matter.
- This is important as an institution's motive may be to save itself or to make higher profits as opposed to deliberately mislead.
- There does not need to be a 'smoking gun' or an email that says: **“Let's nail poor people!”**
- It could be willful or non-willful ignorance to not know what the benefits that would be lost from the purchase of a certain type of financial instrument.

Financial Services:

A case study in Agnotology?

- Financial institutions and low income people:
 - they can't make money on them
 - they can't meet the **new** Customer Relationship Management (CRM) requirements respecting low income people (hard enough with high income)
 - A massive new investment would be required to understand government benefit programs
 - Financial institutions see it as unseemly to arrange client affairs to maximize entitlements (i.e. don't like it and not their business)

Financial Services:

A case study in Agnotology?

- **Conclusion:**
- **Financial institutions providing bad advice and services to low income people**
 - **This IS a case of Agnotology at work!**

THE DUNNING-KRUGER EFFECT

The [cognitive bias](#) in which low-ability individuals suffer from [illusory superiority](#), mistakenly assessing their ability as much higher than it really is

Dunning-Kruger Effect: What is it?

Wikipedia

From

- “Dunning and Kruger attributed this bias to a [metacognitive](#) inability of those of low ability to recognize their ineptitude and evaluate their ability accurately.
- Their research also suggests [corollaries](#): high-ability individuals may underestimate their relative competence and may erroneously assume that tasks which are easy for them are also easy for others.[\[1\]](#)”

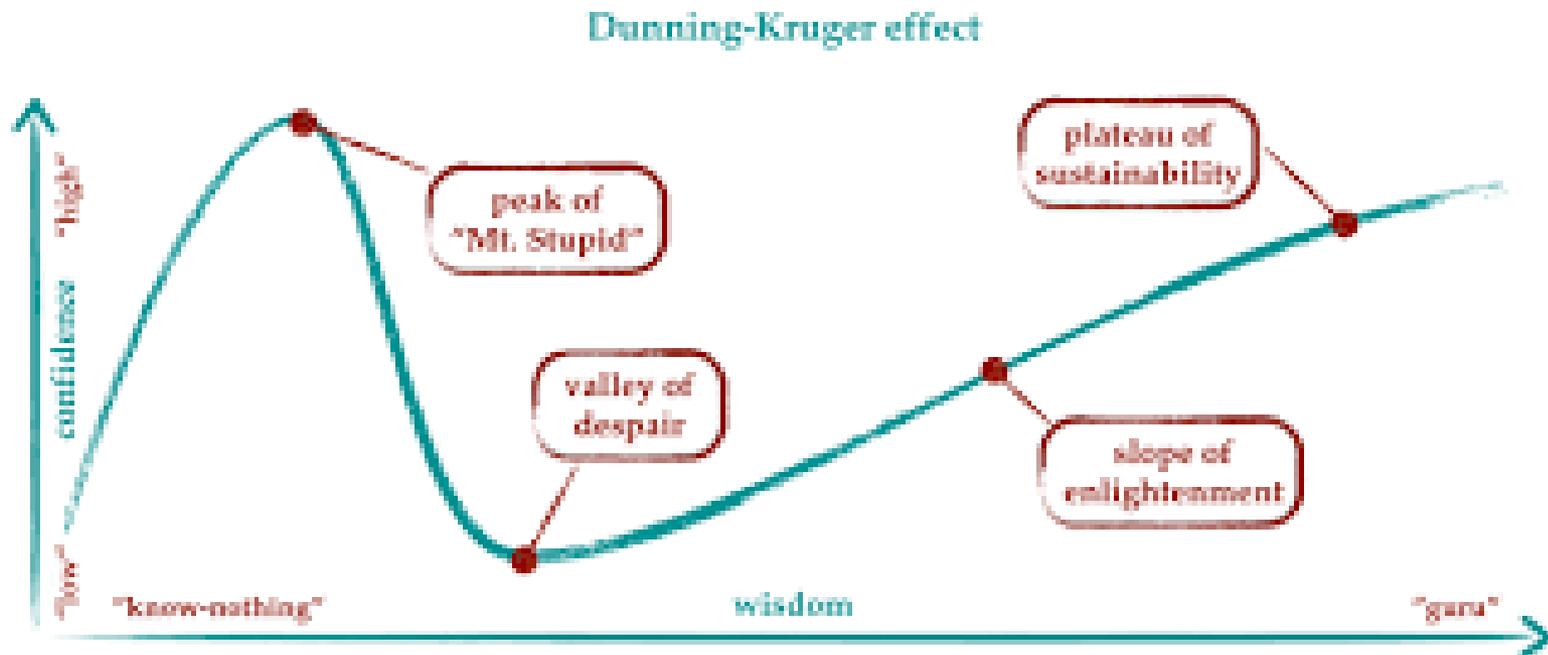
Dunning-Kruger Effect: What is it?

- Dunning and Kruger proposed that, for a given skill, incompetent people will:[\[4\]](#)
- fail to recognize their own lack of skill
- fail to recognize the extent of their inadequacy
- fail to accurately gauge skill in others
- recognize and acknowledge their own lack of skill only *after* they are exposed to training for that skill
- Practical Examples of the effect in low ability individuals:
 - Being taken in by snake oil salesmen who may also be low ability
 - Being attracted to get rich quick schemes
 - Believe they understand pay-day lending

Dunning -Kruger Effect: What is it?

- People of high ability tend to underestimate their relative competence. Roughly, participants who found tasks to be easy erroneously presumed that the tasks also must be easy for others; in other words, they assumed others were as competent as, if not more competent than, themselves.
- Practical Examples: (on the left and right)
 - People on social assistance are fantastic budgeters because they do so well with their meagre incomes. (Nice but largely false)
 - People on social assistance know 'all the rules' better than all of us. They work all the angles to get money. (Nasty but almost always false)

Dunning-Kruger Graph



Another Graph



Dunning-Kruger and Financial advice to low income people

- Low income people, to the extent that their abilities may also be lower:
 - May overestimate their ability to manage financially
 - May think they know more than they do
 - May think experts know more (but which experts?)
- Higher income people, to the extent that their abilities may also be higher:
 - May overestimate ability of low income people to understand financial products, budgeting, and how the 'system' works
 - May think low income people can use the same literature that they use
 - May think that low income people can see through the system like they can (i.e. navigate the maze) when they actually can't

Dunning-Kruger and Financial advice to low income people

- Dunning Kruger effect has lots to say about low income people and their advisors:
 - Overestimating knowledge and abilities
 - The need for real training to get over knowledge obstacles
 - Need to reject the simple confident conclusions, products and advice.
 - Failure of advisors to understand the world in the way the low income person understands it
 - The need to meet low income people 'where they are'.

FINANCIAL INNUMERACY

“Splitting the Difference”

Financial Innumeracy & “splitting the difference”

- Long experience of watching financially innumerate people ‘*split the difference*’ when it come to advice:
- *“Innumeracy encourages the view that all opinions are equally valid, that whenever there is disagreement, the truth lies somewhere in the middle. Innumeracy thus becomes another means of disenfranchisement: by reinforcing the idea that truth is relative and unknowable, people with the least defenses...will be most vulnerable.”*¹¹
- Lynn Arthur Steen, “The New Literacy,” *Why Numbers Count: Quantitative Literacy for Tomorrow’s America*, St. Olaf College, College Entrance Examination Board, 1997, p. 10.

Financial Innumeracy & “splitting the difference”

- Low income people with low financial skills and low confidence,
- Facing two diametrically opposed pieces of advice will do one of three things:
 - Stick with mainstream bad advice
 - Accept the new good advice; or
 - Split the difference (as they always do) and IMMMOBILIZE as only one piece of advice can be right.

The more financially innumerate you are, the more you split the difference because you don't have the skills to evaluate one piece of advice vs the other.

But because the advice is diametrically opposed, you can't split the difference – you must choose

Financial Innumeracy & “splitting the difference”

- Conclusions:
 - Need to understand that low income audiences divides into three and that higher levels of financial innumeracy results in higher **immobilization** (as one can't split the difference between opposed choices).
 - There is high value in having numerate low income people advocating for good advice . When trying to split the difference, **the voice of lived experience** will tend to prevail in the face of two sets of sophisticated advice.
 - If there is no frame to accept financial advice, presentation of a new frame does not solve the problem.
 - Financial literacy (understanding the frame) can help while simplifying the playing field can also help.

THE CONDITIONS OF SUCCESSFUL DEGRADATION CEREMONIES

Harold Garfinkel – 50 year old concept that those who are degraded must understand they are being degraded

Degradation ceremonies

- Degradation ceremonies are public attempts to inflict identity alteration
- Identity Degradation involves destroying the offender's (person being degraded) identity and transforming it into a lower social type.
- Garfinkel Published a article about this called "Conditions of Successful Degradation Ceremonies"
- Garfinkel described a Degradation ceremony as an attempt to transform an individual's total identity into an identity lower in the group's scheme of social types.
- Garfinkel said that individuals who are being degraded must be placed outside the everyday moral order and defined as a threat to that order.
- Some degradation of status inflicted on the accused by one social group may actually lead to rewards by another group. (e.g. Rosa Parks)
- Garfinkel said that the structural conditions of status degradation are universal to all societies. Published on Mar 19, 2014
- **This presentation (this page and following 2 pages) was prepared by Shajitha C., Research Scholar, School of Social Sciences, Mahatma Gandhi University, Kottayam.**

Degradation ceremonies

Garfinkel identified eight conditions for a successful denunciation of ones social type.

1. Both event and perpetrator must be removed from the realm of their everyday character and be made to stand as out of the ordinary.
2. Both event and perpetrator must be placed within a scheme that shows that no preferences where given. The condemner has a personal agenda against the accused, objectivity is lost. Witnesses must not be swayed by such biases.
3. The denouncer must so identify himself to all the witnesses that during denunciation they regard him not as a privately but as a publically known person in an attempt to show objectivity. Without bias. The denouncer must be presenting facts to the witnesses.
4. The denouncer must make the dignity of the suprapersonal values of the tribe salient and accessible to view, and the denunciation must be delivered in their name. This reinforces the values of the group in the name of greater society.

Degradation ceremonies

5. The denouncer must arrange to be invested with the right to speak in the name of these ultimate values (i.e. the denouncer represents society.)
6. The denouncer must be recognized as this representation of society and its moral code.
7. The denouncer must maintain proper social distance from the accused and the witnesses.
8. Finally, the denounced person must be ritually separated from a place in the legitimate order. She or he must be placed “outside” and made to feel “strange”.

Degradation ceremonies at financial institutions: Garfinkel's 8 conditions

- 1. At the financial institution, the staff are knowledgeable of products – the customer is there to learn. One size fits all – poor people are rich people that happen not to have any money
- 2. The financial institution is trying to sell a product regardless of their effect on income security benefits and entitlements. The customer cannot talk about their entitlements. It is out of bounds
- 3. The financial institution makes the case for their product (and screens) – alternatives not permitted.
- 4. Financial staff are invested in telling the low income customer that they ‘know more than the customer’
- 5. Financial staff speak in the name of the institution (not like used car sales where it’s ‘you and me against the evil sales manager’).

Degradation ceremonies at financial institutions: Garfinkel's 8 conditions

- 6. The financial institution is 'mainstream' – alternative advice is not within the frame. If alternative advice is mentioned by the low income customer, the advice is questioned as suspect – not known, not part of what they do – not understandable, dumbfounding.
- 7. Social distance is always maintained. When witnesses are allowed, they are not there to give alternative financial advice (I have tried it).
- 8. Low income customer with alternative advice is made to feel that they have strange advice and not in the legitimate order.

Degradation ceremonies at financial institutions: Garfinkel's 8 conditions

- Conclusions:
 - Financial Institutions meet all 8 conditions seen in degradation ceremonies although it is not their intent to degrade –see Agnotology – motive irrelevant
 - Their motive is to sell a product regardless of its effect on income security or entitlement benefits. They do not see it as their job to include entitlements into the equation – that is someone's else's job.
 - Alternate and proper financial advice is routinely degraded as it cannot enter the frame of relevance (what Nobel winner Joseph Stiglitz called the tautology of economic social circles)
 - A visit to a financial institution for low income people to plan their finances can be seen as a degradation ceremony with no intent to degrade. Mainstream advice always prevails.

THE IMPORTANCE OF COLOUR PALETTES

Similar palettes for fast food, self improvement books,
and payday loans.

The colour palette of Individualism

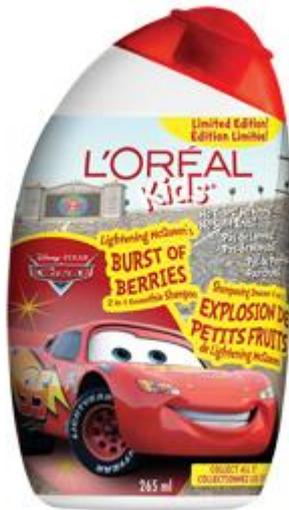
- Fast food has the dilemma of marketing ‘individual choice’ and nudging people to choose among extremely limited menu choices.
- Appearance products market individual value
- They have branded a number of colours as reflecting “happy, self-esteem driven, and informed choice”

The colour palette of Individualism

- Combinations of:
- Red
- Yellow/gold
- Black
- Brown
- White
- With a blue sky background

The colour palette of Individualism

Fast food and Appearance



The colour palette of Individualism

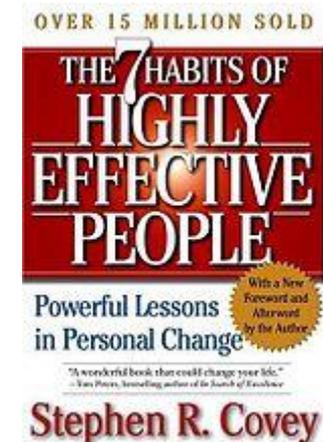
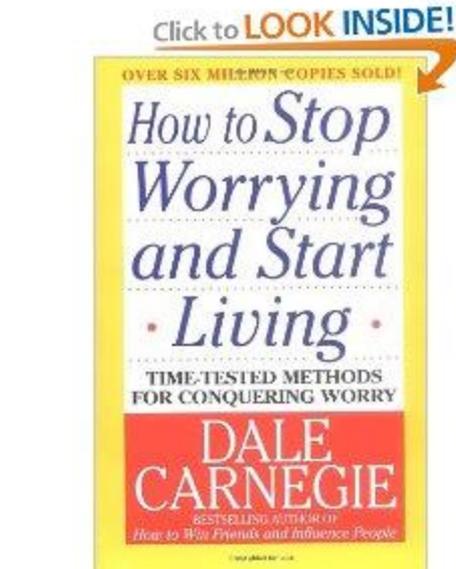
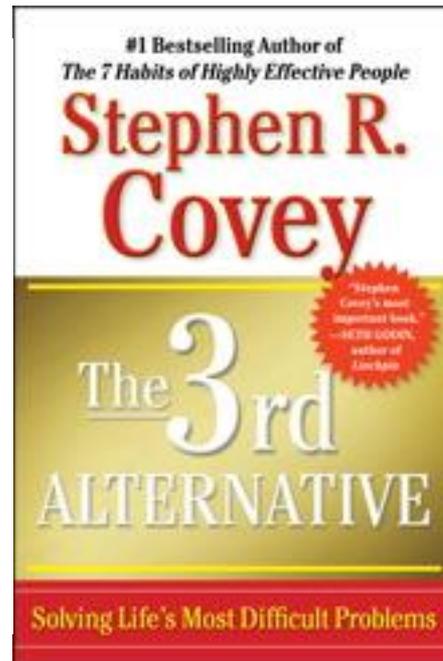
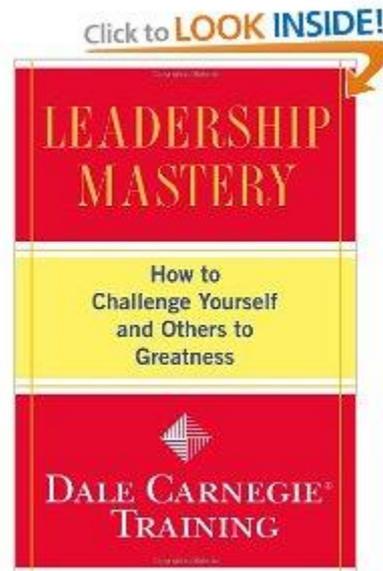
Fast food and Appearance

- ***The denominator is You and I:***
 - *I'm lovin' it,*
 - *You deserve a break,*
 - *You always got time,*
 - *You're worth it...*
 - I'm worth it!

The Self-Improvement Industry

- The fast food Individual choice.... confident happy actor is also **not lost** on the self improvement genre
- the self-improvement industry is based on individual (self-actualized) success (very different from the leader genre that uses an entirely different colour palette - lots of dark blues, mahogany and green).
- Let's look at their colour palette... familiar?

The Self-Improvement Industry



Payday Lenders Cash in on colour palette of fast food and self-improvement

- Cult of individual choice...you came in because you had choices
- Welcoming
- Simple menu
- Fast (immediate) service
- One charge
- Notice a colour palette similarity?

True Colours: Payday Lenders



Payday Lenders



Need a Loan?

Get it in **3** easy Steps!

- 1 Fill out our Express Application
- 2 Get Approved
- 3 Withdraw your Cash

[Apply Now](#)

A smiling woman with dark hair, wearing a light blue shirt, holding a fan of US dollar bills. The background is yellow with a subtle pattern.

The importance of Colour Palette

- Payday lenders exploit colour palette associated with informed choice and self-improvement
- The financially innumerate person trying to split the difference will prefer a payday lender over a bank or a non-profit.
- Non-profits and banks work at the level of the rational and not the subliminal
- Values of smartness and smart choices not part of colour palette of alternative financial advice.
- Perhaps they should be!

B RINGING THE SCHOOLS OF THOUGHT TOGETHER

Agnotology, Dunning Kruger, Splitting the Difference,
Degradation ceremonies, and colour palettes

Bringing the schools of thought together for low income people seeking financial advice

- 1. Agnotology tells us that bad advice can be perpetuated without an overt campaign to thwart good advice. Bad advice can continue even when exposed. Low income people will be most affected by bad advice.
- 2. Dunning Kruger tells us that lower skilled people can be overconfident and resist good advice. Higher skilled should be cautioned not to attribute their skills to lower skilled.
- 3. Good advice vs bad advice does not allow the lower skilled to split the difference – they immobilize
- 4. Financial institution visits can act like degradation ceremonies overruling good advice; and
- 5. Colour palette of individualism and informed choice is owned by those providing the worst advice.

WHAT CAN WE TAKE AWAY?

New ways to work.....?

What can we take away?

New ways to work!

- Continue to confidently give good advice in mainstream settings with lived experience advisors and champions
- Don't look for motive in bad advice – take it as is...
- Understand that supreme confidence often 'owned' by the mainstream and that it fools people. They only figure things out later.
- Don't attribute skills to people because you want to defend them. They likely need help even when they do some things well.
- Concentrate on those with lowest financial literacy and understand their immobilization comes from being unable to split the difference

What can we take away?

New ways to work!

- Remember that people can be degraded when they venture into a financial institution
- Good advice can be marginalized – we need ways for it to go mainstream
- While you are teaching people good financial habits, colour palettes that affect us all are working in the background.
- “out” the colour palette of payday lenders. Ask why low income people ‘feel good’ when they enter.

THANK YOU

Questions?