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Obama's Budget Flunks the Marshmallow Test

People who cannot defer gratification tend to be less successful. That's also true of countries.

By ARTHUR C. BROOKS

The president's proposed new budget has three noteworthy characteristics: continuing unfunded entitlements to the middle class, runaway deficits to be repaid in the undefined future, and immense tax increases on the entrepreneurial class. Many commentators have complained about the damage this budget would do to our national prosperity. Less has been said about the effect it will have on something far more important: our national character.

There is a tremendous amount of research on the links among success, character and the ability to sacrifice. It all reaches the same conclusion: People who cannot defer current gratification tend to fail, and sacrifice itself is part of entrepreneurial success.

In one famous study from 1972, Stanford psychologist Walter Mischel concocted an ingenious experiment involving young children and a bag of marshmallows. He put a marshmallow on the table and told each child that if he (or she) could wait 15 minutes to eat it, he would get a second one as a reward.

About two-thirds of the kids failed the experiment. Some gave in immediately and gobbled up the marshmallow; videotape shows others in agony, trying to discipline themselves—some even banging their little heads on the table.

But the most interesting results from that study came years later. Researchers followed up on the children to see how their lives were turning out. The kids who didn't take the marshmallow had average SAT scores 210 points higher than the kids who ate it immediately. They were less likely to drop out of college, made far more money, were less likely to go to jail, and suffered from fewer drug and alcohol problems.

But the evidence goes beyond a finding that people who can defer gratification tend to turn out well in general.

When we hear about successful entrepreneurs, it is always as if they had the Midas touch. A pimply college kid cooks up an Internet company during a boring lecture at Harvard, and before lunch he's a billionaire. In real life, that's not how it works. Northwestern University Professor Steven Rogers has shown that the average entrepreneur fails about four times before succeeding.

When asked about their ultimate success, entrepreneurs often talk instead about the importance of their hardships: early failures and bankruptcies, missed Little-League games, endless nights without sleep. They talk about almost losing their home and the strain all this put on their marriage. When I asked the legendary investment company founder Charles Schwab about the success of the $15 billion corporation that bears his name, he told me the story about taking out a second mortgage on his

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President Obama

home just to make payroll in the early years.

Why this emphasis on the struggle? Entrepreneurs know that when they sacrifice, they are learning and improving, exactly what they need to do to earn success through their merits. Every sacrifice and deferred gratification makes them wiser and better, showing them that they're not getting anything free. When success ultimately comes, they wouldn't trade away the earlier days for anything, even if they felt wretched at the time.

What does all this have to do with public policy? The present administration believes we should be able to get our country fiscally back on track without the vast majority of Americans having to accept less from government. Year after year, no entitlement recipient is asked to give up benefits—even benefits well above a basic safety net.

Bailouts for homeowners, auto companies and financial firms have protected many from the consequences of poor decisions. And even as we run up unprecedented debt, public-sector workers continue to receive pay and benefits that exceed those of their private-sector counterparts.

The expanding welfare state exists, in no small part, to shove marshmallows into our collective mouth. The government expunges sacrifice, smooths the risk out of our economic lives, and protects us from the consequences of our actions. It is aggressively moving us away from the national entrepreneurial ethos, teaching dependency and changing our relationship to the state.

This is not conservative dogma. Look at Greece. It is easy to get lost in the weeds of sovereign-debt ratings and monetary inflexibility, but the fundamental source of that country's problems is straightforward. Politicians were unwilling for more than a decade to ask citizens for any meaningful sacrifice in public spending, which outstripped revenues. Citizens came to feel entitled to public resources their country had not earned and could not afford. As the country faced collapse, the result has been hopelessness, helplessness and Molotov cocktails.

Is this where we want to go? If not, then we had better recognize that the right path to fiscal consolidation is not to find creative new ways to push debt into the future or vacuum more taxes out of the wealthy. It is to cut spending and reform entitlements right now. It means actual sacrifice—and that is not a bad thing.

Mr. Brooks is president of the American Enterprise Institute and author of the new book "The Road to Freedom: How to Win the Fight for Free Enterprise," forthcoming in May from Basic Books.

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