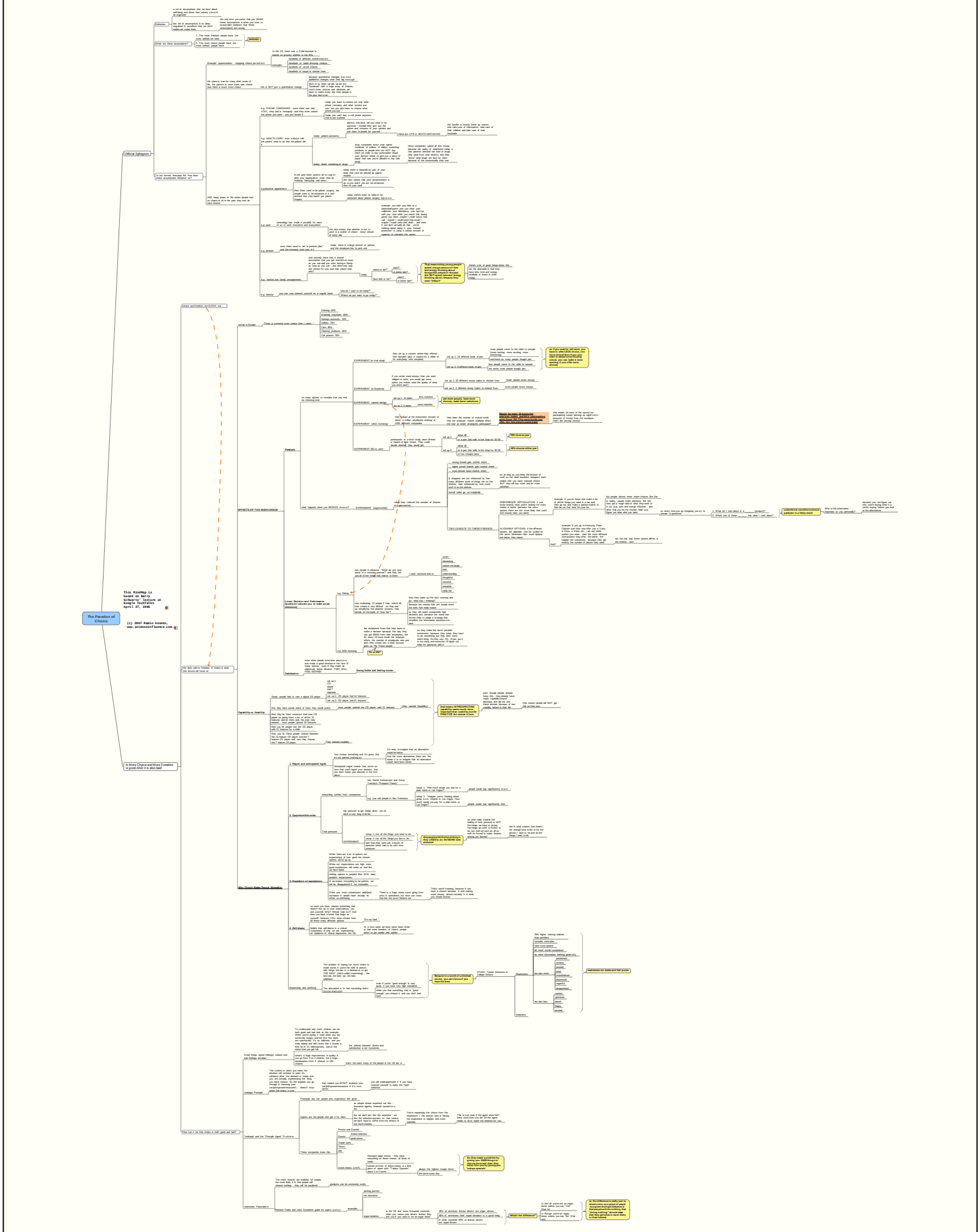
The Paradox of Choice
This MindMap is based on Barry Schwartz's lecture at Google in Zurich April 27, 2006
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Official Syllogism
Definition:
a set of assumptions that we have about well-being and about how society is/could be organized
the set of assumptions we deep-engrained in ourselves that we don't realize we make them
the only time you notice that you MAKE these assumptions is when you look to accumulate evidence that these assumptions are wrong
Either are these assumptions?
1. The more freedom people have, the more welfare we have
2. The more choice people have, the more welfare people have
WRONG!
In our normal, everyday life, how does these assumptions influence us?
Example: supermarket - shopping choice paradox!
In the US, there was a 7-fold increase in products on the shelves in the 80's
Examples:
hundreds of salad dressing choices...
hundreds of cereal choices...
hundreds of ways to choose from ...
the same is true for many other areas of life. We believe to most times we chose, the more there is much more choice
this is NOT just a quantitative change
because quantitative changes lead to new qualitative changes in our lives!
each of us when we get up in our pm. "hinterland" with a huge array of choices, we have to make many, many, many, have to make many, many, many, many decisions in the past had to do.
AND many areas of life where people had no choice at all in the past they now do have choices
e.g. PHONE COMPANIES - once there was only AT&T, they had a company, and they even owned the phone you used - you just rented it.
today you have to choose not only what phone company, and what service you want, but you also have to choose what phone you do want.
today you can't buy a cell phone anymore that is just a phone ...
e.g. HEALTH CARE: never subscribe tell the patient what to do and the patient did
doctors now don't tell you what to do anymore and instead they give options and ask you have to decide for yourself
these are LIFE & DEATH DECISIONS
this burden is mostly borne by women who take care of themselves, take care of their children and take care of their husbands
today: patient autonomy
today: direct marketing of drugs
drug companies: every year spend hundreds of millions of dollars marketing drugs directly to the public. Why? - for them (in order to buy prescription drugs, your doctors needs to give you a piece of paper that says you're allowed to buy that drug)
these companies: spend of this money because the reality of healthcare today is that people don't go to their doctors, they go to their doctors, and they "know" what drugs are best for them because of the commercials they see
e.g. physical appearance
in the past there used to be no way to change your appearance, then by medical technology we can
today there is basically no part of your body that can't be altered by plastic surgery!
this also means that your attractiveness is up to you now!! you are not attractive. Deal it your self!
there then used to be plastic surgery, but people used to be ashamed of it and pretend that they hadn't got plastic surgery.
today there's even no need to be ashamed about plastic surgery anymore ...
AND many areas of life where people had no choice at all in the past they now do have choices
e.g. work
technology has made it possible for each of us to work anywhere and everywhere!
this also means that whether or not to work is a matter of choice - every minute of every day
today: there is a large amount of options, and the employees has to pick one
example: you take your kids to a basketball game and you have your cell phone with you and you call your wife you: (not while you watch the being game) - you call your wife and say: "hey, call - maybe I should watch that game instead of you!" - and you if you actually call the wife - you are thinking about doing it, your "mental processor" is using a certain amount of capacity to calculate this option ...
e.g. pension
once there used to be "a pension plan" and the company took care of it ...
today: there is a large amount of options, and the employees has to pick one
e.g. marital and family arrangements
until recently there was a shared assumption that you get married as soon as you can and you start leaving family as soon as you can and that lasts only as long as you and that choice sets also!
today:
marry or not?
spouse?
or better date?
have kids or not?
good?
or better date?
that means (in most of the cases) we postpone (or even deny) the original purpose of many things in our society - that's the burning money!
Total mess today: young people spend always amount time and energy thinking about "what is the right thing to do" and BUT spend (instead) energy and time on "how" because they were "educated"
there's a lot of good things about this. But the alternative is that they never have time and energy available to invest in other things ...
e.g. identity
who do I want to be today?"
"Where do you want to go today?"
you can now reinvent yourself on a regular basis
Is More Choice and More Freedom is good AND it is also bad!
Choice and freedom are GOOD, but ...
there is currently more choice than I need ...
survey in Europe
Clothing: 69%
Washing machines: 80%
Savings accounts: 70% ...
Children: 70% ...
Cars: 80%
Dishwasher: 80%
Cell phones: 70%
EFFECTS OF TOO MUCH CHOICE
Paralysis
so many options to consider that you end up choosing none
EXPERIMENT (in fruit shop)
they set up a counter where they offered free samples (also a coupon for a dollar off for everybody who sampled)
set up 1: 24 different kinds of jam
set up 2: 6 different kinds of jam
more people came to the table to sample (because of more variety, more choosing)
but people came to the table to sample: consumed as many people bought jam ...
less people came to the table to sample: but times more people bought jam
So if you want to sell more, you need to offer a lot of different kinds of good! But if you want people to actually buy and enjoy, you can make it more pleasing if you offer more choices!
EXPERIMENT (in Stanford)
if you wrote more essays that you were paid for, the better they were! (in the paper) (no matter what the quality of what you wrote was!)
set up 1: 30 different essay topics to choose from
set up 2: 6 different essay topics to choose from
fewer people wrote essays
more people wrote essays
EXPERIMENT (speed dating)
set up 1: 12 dates
set up 2: 6 dates
less matches
more matches
we meet people, have more choices, make fewer selections!
EXPERIMENT (401k investing)
they looked at the investment records of about a million employees working at 1000 different companies ...
How does the number of mutual funds that the employer makes available affect the rate at which employees participate?
Results: for every 10 funds the employer makes available participation rate goes down 2 percentage points (so if there are 50 funds available, participation rate is down 10 percentage points!)
that means (in most of the cases) we postpone (or even deny) the original purpose of many things in our society - that's the burning money!
EXPERIMENT (SD vs. pen)
participants of a school study were offered a choice of pen colors. They could choose: silver, they would get:
set up 1:
silver $2
or a pen that sells in the shop for $2.50
set up 2:
silver $2
or a pen that sells in the shop for $2.50
or two orange pens ...
70% choose pen
20% choose either pen
what happens when you REDUCE choice?
EXPERIMENT (supermarket)
what they reduced the number of choices in supermarkets ...
visiting boards gain market share ...
higher priced brands gain market share ...
store brands lose market share ...
& shoppers are not influenced by how many different kinds of things are on the shelf - they don't care about how much stuff is on the shelves ...
overall sales go up marginally ...
so as long as you keep the amount of stuff on the shelf beautiful, shoppers won't realize that you have reduced choice! - they don't care about how much stuff is on the shelves ...
TWO CAVEATS TO THESE FINDINGS
PREFERENCE ARTICULATION: if you know exactly what you're looking for more choice is better (because the more likely you are to find what they (say you?) that exactly what you want)
example: if you sit down and make a list of the 10 things you want to do in life and then go out and make a pattern match to that list you that best fits your list.
but people almost never make choices like this. In reality, people make decisions like this: they go to a store and see what they want to buy and then they make a pattern match and allow that you let the market "help" you figure out what you want.
so every time you go shopping you try to answer 3 questions:
1. What do I care about in a ...
2. What's one of these ...
3. Can what I care about?
would/should we (and/or/or/or/or) need you to be a Harry much
Why is this information important to you personally?
because you can figure out why you're buying what it is people buying (either you look at the alternatives ...
AVAILABLE OPTIONS: if the different options are digestible, can be scaled on the same dimension then more options are better than never
example: if you go to Kentucky Fried Chicken and you have the choice of a 2-piece, 4-piece, 6-piece, etc. - an easy-to-scale portion you want - then the more different options are better. But if you go to a place like happier the customers, because they get exactly the number of pieces they want.
but the only way these options differ is the choices ... less
Lower Decision and Performance Quality (it reduces you to mediocrity!)
e.g. Dating
ask people in advance: "What do you care about in a partner?" - "I want a person who has you all of the things that matter to them ..."
I want someone who is ...
smart
interesting ...
makes me laugh ...
kind
understanding
thoughtful ...
sensitive
empathic ...
really has ...
now evaluating 12 people if they match all that criteria is very difficult - no they end up simplifying that decision process: they decide on the basis of "one fact"!
then they wake up the next morning and go: "what was I thinking?"
because the criteria that are simple aren't the ones that matter!
so they will make continuously sub-decisions just because the world has too many options to actually consider and simplify the original assumptions (and ...
e.g. 401k investing
the employees know that they have to make a decision because (the way they set up the system) - if they don't make a decision for many, 10 years (with the employer-driven, the number of employees who just don't make a decision - default because gets up "for Dummies people ...
so they make the same possible decision: they don't make a decision: they have to do something but they don't know what's thing. So they say: "Oh, I'll just put it in the bond fund!" - default option ... (option for people who is ...
"Pic of 2007"
Satisfaction
even when people overcome paralysis and made a good decision (in face of many options - even if they made an "optimal" decision: THEY WILL FEEL DISTURBED!
Being better and feeling worse ...
Capability vs. Usability
Study: people had to rate a digital CD player:
set up 1: CD player had 21 features ...
set up 2: CD player had 31 features ...
first they were asked which of these they would prefer:
most people wanted that CD player with 31 features ...
then they let them construct their own CD player by going from a list of all the 31 features, and let them pick the ones they wanted - most people picked 21 features ...
then you let people use the CD player and ask them to rate it ...
then you let these people choose between the 21-feature CD player and the 7-feature CD player - and now they choose the 7 feature CD player
(they wanted Capability ...
(they wanted Usability ...
that means (IN PRACTICE) capability means much more than usability because IN PRACTICE the reverse is true ...
even though people already knew that they would have more capability-based decisions and did not, over time, they ended up with the usability option in mind. IN PRACTICE!
that means people will NOT get the so-called value ...
It's easy to imagine that an alternative could be better ...
And the more alternatives there are, the easier it is to imagine that an alternative would have been better.
Why Choice Makes People Miserable
1. Regret and anticipated regret.
You choose something and it's good. But it's not perfect (nothing is ...
anticipated regret means: then you're so sure that you'll regret your decision, that you don't make your decision in the first place ...
see: Daniel Kahnemann and Amos Tversky's "Prospect Theory"
2. Opportunities costs
everything suffers from comparison
setup 1: "How much would you pay for a plane ticket to Las Vegas?"
people would pay significantly more ...
setup 2: "Imagine you're thinking about going to LA, Orlando or Las Vegas. How much would you pay for a plane ticket to Las Vegas?"
people would pay significantly less ...
time pressure
the pressure to get things done - see all there is only long to do list
EXPERIMENT:
setup 1: List all the things you have to do ...
setup 2: List all the things you like to do ...
and then they were sent at bunch of random which had to do with time pressure ...
the people who (in the first of these) had a time LIMITS on their time pressure!
so what really creates the feeling of time pressure is NOT the things we have to do but the fact that we have to do it! - we do, but then we want to do all on well be forced to make choices, giving up "Sacrifice" ...
this is what creates that (lower), not enough time in life to be the person I want to be and do the things I want to do ...
3. Escalation of expectations
When there are a lot of options our expectations of how good the chosen options will be go up ...
When our expectations are high, even good experiences will make us feel like we failed ...
Adding options to people this WILL raise people's expectations ...
If not-expect everything to be perfect, we will be disappointed & not miserable ...
Once you cross subsistence: additional increases in wealth have virtually no effect on well-being ...
There is a huge, steep curve going from zero to subsistence but once you cross that line the curve flattens out ...
That's worth knowing, because if you have a choice between 5 and making more money, almost certainly X is what you should choose ...
4. Self-blame
so once you have chosen something that doesn't live up to your expectations, you ask yourself: Why? Where had is it? And the answer is: I'm to blame ... myself, because YOU have chosen from all these many different options.
"It's my fault ..."
Notice that self-blame is a critical component of why we are experiencing no sadness or about depression like US.
it's a time when we have never been richer in had more freedom of choice, people seem to get sadder and sadder ...
Disenchantment and suffering
The problem of having too much choice is that it makes it very difficult to make sets things that are in a distance to go THE BEST (that's called maximizing) - the "best" of the best, the best ever, the best ever ...
The alternative is to find something that's GOOD ENOUGH.
even if you're "good enough" is very good, it also feels very "right" - sometimes
when you find something that is "good enough" you choose it and you don't look back!
Because in a world of unlimited choice, you can't forward you have the time.
STUDY: Career Decisions in College Seniors
Maximizers
20% higher starting salaries
fewer job offers
more more options
fewer more social comparison
fewer more information seeking given only ...
are also more ...
decisive
excited
tired
overwhelmed
depressed
regretful
disappointed ...
are also less ...
content
optimistic
happy
elated
relaxed ...
Satisfiers
measurement (in between and best worse)
Good things (good feelings): satisfier and bad feelings: excuser
To understand why more choices can be both good and bad look at this example: When you're eating a meal when you are hungry and you are eating food that are spectacular, it's so delicious, and you keep eating and with every bite it lessens a little bit your hunger pangs, and at the same time you get full
there's a huge improvement: so quickly if you go from 3 to 2 choices, but a huge deceleration from 2 choices to 200 choices ...
the relation between choice and satisfaction is not monotonic ...
that's the state many of the people in the US are in ...
Lockage Principle
The context in which you make the choice is very, very, very, very, very influential after the decision is made and you are actually experiencing the thing you chose! - the way you expect you go through in choosing your car/job/spouse/restaurant ... doesn't stop after the choice is made ...
that means you WON'T evaluate your car/job/spouse/restaurant in it's own terms ...
you will underappreciate it if you have tortured yourself to make the "right" selection ...
Principle: are the people who experience the good ...
Agents are the people who get it for them ...
as people whose expertise: we hire - insurance agents, financial counselors, etc ...
but we don't just hire the expertise - we hire the people who are the experts so we don't have to suffer from the effects of too much choices ...
You're consuming the choice from the experience - the person who is having the experience is happen and more satisfied ...
This is true even if the agent does NOT have therefore (as the US does) ... ability to do better the decision for you ...
Choice and Control
Three companies have: the
limited selection
Costco ...
good prices ...
Trader Joe's ...
Trimco ...
Aldi ...
Costco ...
Discount sugar revenue: - they have everything on these revenue, all kinds of foods ...
Costco ...
Costco Stores, in GOC
so they create a problem by offering a limited selection of stuff - they offering a limited selection of stuff - they offering a lot of stuff ...
always the highest margin items ...
the same every day ...
Libertarian Paternalism
The more choices are available for people, the more likely it is that people will choose nothing - they will be paralyzed.
paralysis can be extremely costly ...
Related Trader and Cass Sunstein's guide for public policy
examples ...
parking permits ...
car insurance ...
organ donation
in the US and some European countries, we have to opt-in if we want to be an organ donor ...
20% of americans have organ donors on organ donors ...
80% of americans think organ donation is a good thing ...
in other countries 90% of license drivers are organ donors ...
What's the difference?
in the US: you're not an organ donor unless you say: "Yes!" (Opt-in)
in other countries: you're an organ donor unless you say: "No!" (Opt-out)
so the difference really just is: we think a lot more about it and we have to make a conscious decision to be a organ donor! - "doing nothing" should mean that they get default to most likely to do so! - default
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