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Choice Is Overrated

By Steven Pearlstein

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Among economists, it is an axiom that choice is good and more choice is better. Giving buyers more choice means more -- and more intense -- competition, which lowers prices, raises quality and fosters innovation. In the end, workers are more productive, consumers are better off and the economy is bigger and more efficient.

It's a lovely theory, and one that is particularly attractive to conservatives, who use it to justify replacing government services -- Medicare, Social Security, public housing, public schools -- with market-based solutions.

Unfortunately, it turns out not to be true. Yes, up to a point, choice does enhance efficiency and consumer welfare. But at some point, there get to be so many options about what to buy or what career to go into or which mutual fund to invest in that many people make worse decisions than they would if they had fewer choices -- or simply put off making a decision at all. Even when people make what seems, objectively, to be the right choice, odds are they will be less happy about it as they second-guess themselves.

All this is laid out in wonderfully readable form by Swarthmore College professor Barry Schwartz in his recent book, "The Paradox of Choice: Why More Is Less." Schwartz, a psychologist by training, draws heavily on recent research by behavioral economists who have shown that humans are less rational than classical economic models assume. His insights have such important implications for the design and marketing of products and services that General Electric, American Express, the U.S. Department of Agriculture and the British Cabinet have all called on Schwartz for advice.

Schwartz conjures up a wealth of examples to support his conclusions.

In one survey, 65 percent of respondents said they would want to choose their own treatment if they got cancer. But in another survey of those who actually have cancer, only 12 percent wanted to make the choice; the rest said they would rather leave it to their doctors.

Or consider the experiment in one upscale market, which offered \$1-off coupons to customers who sampled a new line of jams and jellies. In one test, consumers could taste only six of the 24 varieties; in a second, all 24 varieties were made available. While 30 percent of those exposed to the smaller sample bought a jar, only 3 percent of those who sampled from the complete line did so.

Schwartz also cites the work of a researcher who analyzed the Vanguard Group's vast database of customers with 401(k) retirement accounts. The research found that for every 10 stock and bond funds added to the list of options, the amount invested in low-yielding money market accounts increased by 2 percent. Put another way, more options resulted in less choice, and a lower return.

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If that seems like silly behavior, it is. If people are put off by having 12 choices rather than two, they could ignore the extra 10 and be just as well off. But people aren't rational, and they can't force themselves to ignore choices once they are presented.

While this de-linking of choice and happiness may be news to economists, all they had to do was look around. After all, why is it that in an era when people are less constrained by geography and social mores in their choice of spouse, they are marrying later and with less success than when choices were more limited by race, class and religion? And why is it that today's top college students, able to follow virtually any career path, increasingly arrive at graduation day without a clue of what they want to do? If one of the virtues of having more money is to have more choice, why is it that people in the United States don't report themselves any happier than people in Poland?

All this is fascinating grist for Schwartz, who in 58 years has had one job, one wife and three houses, and reports himself to be very happy, even if he still can't figure out whether to buy regular, easy-fit or relaxed jeans.

"All the really big decisions in my life didn't feel like decisions," Schwartz explained. "They seemed like pretty reasonable choices, so I made them. And I've never looked back."

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