

Barry Schwartz: The paradox of choice

1. I'm going to talk to you about some stuff that's in this book of mine that I hope will resonate with other things you've already heard, and I'll try to make some connections myself, in case you miss them. I want to start with what I call the "official dogma." The official dogma of what? The official dogma of all western industrial societies. And the official dogma runs like this: if we are interested in maximizing the welfare of our citizens, the way to do that is to maximize individual freedom. The reason for this is both that freedom is in and of itself good, valuable, worthwhile, essential to being human. And because if people have freedom, then each of us can act on our own to do the things that will maximize our welfare, and no one has to decide on our behalf. The way to maximize freedom is to maximize choice.

The more choice people have, the more freedom they have, and the more freedom they have, the more welfare they have.
2. This, I think, is so deeply embedded in the water supply that it wouldn't occur to anyone to question it. And it's also deeply embedded in our lives. I'll give you some examples of what modern progress has made possible for us. This is my supermarket. Not such a big one. I want to say just a word about salad dressing. 175 salad dressings in my supermarket, if you don't count the 10 extra-virgin olive oils and 12 balsamic vinegars you could buy to make a very large number of your own salad dressings, in the off-chance that none of the 175 the store has on offer suit you. So this is what the supermarket is like. And then you go to the consumer electronics store to set up a stereo system -- speakers, CD player, tape player, tuner, amplifier -- and in this one single consumer electronics store, there are that many stereo systems. We can construct six-and-a-half-million different stereo systems out of the components that are on offer in one store.
3. You've got to admit that's a lot of choice. In other domains -- the world of communications. There was a time, when I was a boy, when you could get any kind of telephone service you wanted, as long as it came from Ma Bell. You rented your phone. You didn't buy it. One consequence of that, by the way, is that the phone never broke. And those days are gone. We now have an almost unlimited variety of phones, especially in the world of cell phones. These are cell phones of the future. My favorite is the middle one -- the MP3 player, nose hair trimmer, and creme brulee torch. And if by some chance you haven't seen that in your store yet, you can rest assured that one day soon you will. And what this does is it leads people to walk into their stores asking this question. And do you

know what the answer to this question now is? The answer is "No." It is not possible to buy a cell phone that doesn't do too much.

4. So, in other aspects of life that are much more significant than buying things, the same explosion of choice is true. Health care -- it is no longer the case in the United States that you go to the doctor, and the doctor tells you what to do. Instead, you go to the doctor, and the doctor tells you, "Well, we could do A, or we could do B. A has these benefits, and these risks. B has these benefits, and these risks. What do you want to do?" And you say, "Doc, what should I do?" And the doc says, "A has these benefits and risks, and B has these benefits and risks. What do you want to do?" And you say, "If you were me, Doc, what would you do?" And the doc says, "But I'm not you." And the result is -- we call it "patient autonomy," which makes it sound like a good thing, but what it really is is a shifting of the burden and the responsibility for decision-making from somebody who knows something -- namely, the doctor -- to somebody who knows nothing and is almost certainly sick and thus not in the best shape to be making decisions -- namely, the patient.
5. There's enormous marketing of prescription drugs to people like you and me, which, if you think about it, makes no sense at all, since we can't buy them. Why do they market to us if we can't buy them? The answer is that they expect us to call our doctors the next morning and ask for our prescriptions to be changed. Something as dramatic as our identity has now become a matter of choice, as this slide is meant to indicate. We don't inherit an identity; we get to invent it. And we get to re-invent ourselves as often as we like. And that means that everyday, when you wake up in the morning, you have to decide what kind of person you want to be. With respect to marriage and family, there was a time when the default assumption that almost everyone had is that you got married as soon as you could, and then you started having kids as soon as you could. The only real choice was who, not when, and not what you did after.
6. Nowadays, everything is very much up for grabs. I teach wonderfully intelligent students, and I assign 20 percent less work than I used to. And it's not because they're less smart, and it's not because they're less diligent. It's because they are preoccupied, asking themselves, "Should I get married or not? Should I get married now? Should I get married later? Should I have kids first, or a career first?" All of these are consuming questions. And they're going to answer these questions, whether or not it means not doing all the work I assign and not getting a good grade in my courses. And indeed they should. These are important questions to answer. Work -- we are blessed, as Carl was pointing out, with the technology that enables us to work every minute of every day from any place on the planet -- except the Randolph Hotel. (Laughter)

7. There is one corner, by the way, that I'm not going to tell anybody about, where the WiFi works. I'm not telling you about it because I want to use it. So what this means, this incredible freedom of choice we have with respect to work, is that we have to make a decision, again and again and again, about whether we should or shouldn't be working. We can go to watch our kid play soccer, and we have our cell phone on one hip, and our Blackberry on our other hip, and our laptop, presumably, on our laps. And even if they're all shut off, every minute that we're watching our kid mutilate a soccer game, we are also asking ourselves, "Should I answer this cell phone call? Should I respond to this email? Should I draft this letter?" And even if the answer to the question is "no," it's certainly going to make the experience of your kid's soccer game very different than it would've been. So everywhere we look, big things and small things, material things and lifestyle things, life is a matter of choice. And the world we used to live in looked like this. That is to say, there were some choices, but not everything was a matter of choice. And the world we now live in looks like this. And the question is, is this good news, or bad news? And the answer is yes. (Laughter)
8. We all know what's good about it, so I'm going to talk about what's bad about it. All of this choice has two effects, two negative effects on people. One effect, paradoxically, is that it produces paralysis, rather than liberation. With so many options to choose from, people find it very difficult to choose at all. I'll give you one very dramatic example of this: a study that was done of investments in voluntary retirement plans. A colleague of mine got access to investment records from Vanguard, the gigantic mutual fund company of about a million employees and about 2,000 different workplaces. And what she found is that for every 10 mutual funds the employer offered, rate of participation went down two percent. You offer 50 funds -- 10 percent fewer employees participate than if you only offer five. Why? Because with 50 funds to choose from, it's so damn hard to decide which fund to choose that you'll just put it off until tomorrow. And then tomorrow, and then tomorrow, and tomorrow, and tomorrow, and of course tomorrow never comes. Understand that not only does this mean that people are going to have to eat dog food when they retire because they don't have enough money put away, it also means that making the decision is so hard that they pass up significant matching money from the employer. By not participating, they are passing up as much as 5,000 dollars a year from the employer, who would happily match their contribution. So paralysis is a consequence of having too many choices. And I think it makes the world look like this. (Laughter)
9. You really want to get the decision right if it's for all eternity, right? You don't want to pick the wrong mutual fund, or even the wrong salad dressing. So that's one effect. The second effect is that even if we manage to overcome the paralysis and make a choice, we

end up less satisfied with the result of the choice than we would be if we had fewer options to choose from. And there are several reasons for this. One of them is that with a lot of different salad dressings to choose from, if you buy one, and it's not perfect -- and, you know, what salad dressing is? -- it's easy to imagine that you could have made a different choice that would have been better. And what happens is this imagined alternative induces you to regret the decision you made, and this regret subtracts from the satisfaction you get out of the decision you made, even if it was a good decision. The more options there are, the easier it is to regret anything at all that is disappointing about the option that you chose.

10. Second, what economists call "opportunity costs." Dan Gilbert made a big point this morning of talking about how much the way in which we value things depends on what we compare them to. Well, when there are lots of alternatives to consider, it is easy to imagine the attractive features of alternatives that you reject, that make you less satisfied with the alternative that you've chosen. Here's an example. For those of you who aren't New Yorkers, I apologize. (Laughter)
11. But here's what you're supposed to be thinking. Here's this couple on the Hamptons. Very expensive real estate. Gorgeous beach. Beautiful day. They have it all to themselves. What could be better? "Well, damn it," this guy is thinking, "It's August. Everybody in my Manhattan neighborhood is away. I could be parking right in front of my building." And he spends two weeks nagged by the idea that he is missing the opportunity, day after day, to have a great parking space. Opportunity costs subtract from the satisfaction we get out of what we choose, even when what we choose is terrific. And the more options there are to consider, the more attractive features of these options are going to be reflected by us as opportunity costs. Here's another example. Now this cartoon makes a lot of points. It makes points about living in the moment as well, and probably about doing things slowly. But one point it makes is that whenever you're choosing one thing, you're choosing not to do other things. And those other things may have lots of attractive features, and it's going to make what you're doing less attractive.
12. Third: escalation of expectations. This hit me when I went to replace my jeans. I wear jeans almost all the time. And there was a time when jeans came in one flavor, and you bought them, and they fit like crap, and they were incredibly uncomfortable, and if you wore them long enough and washed them enough times, they started to feel OK. So I went to replace my jeans after years and years of wearing these old ones, and I said, you know, "I want a pair of jeans. Here's my size." And the shopkeeper said, "Do you want slim fit, easy fit, relaxed fit? You want button fly or zipper fly? You want stonewashed or acid-washed? Do you want them distressed? You want boot cut, you want tapered, blah

blah blah ..." On and on he went. My jaw dropped, and after I recovered, I said, "I want the kind that used to be the only kind." (Laughter)

13. He had no idea what that was, so I spent an hour trying on all these damn jeans, and I walked out of the store -- truth! -- with the best-fitting jeans I had ever had. I did better. All this choice made it possible for me to do better. But I felt worse. Why? I wrote a whole book to try to explain this to myself. (Laughter) The reason I felt worse is that, with all of these options available, my expectations about how good a pair of jeans should be went up. I had very low -- I had no particular expectations when they only came in one flavor. When they came in 100 flavors, damn it, one of them should've been perfect. And what I got was good, but it wasn't perfect. And so I compared what I got to what I expected, and what I got was disappointing in comparison to what I expected. Adding options to people's lives can't help but increase the expectations people have about how good those options will be. And what that's going to produce is less satisfaction with results, even when they're good results. Nobody in the world of marketing knows this, because if they did, you wouldn't all know what this was about. The truth is more like this. (Laughter)
14. The reason that everything was better back when everything was worse is that when everything was worse, it was actually possible for people to have experiences that were a pleasant surprise. Nowadays, the world we live in -- we affluent, industrialized citizens, with perfection the expectation -- the best you can ever hope for is that stuff is as good as you expect it to be. You will never be pleasantly surprised because your expectations, my expectations, have gone through the roof. The secret to happiness -- this is what you all came for -- the secret to happiness is low expectations. (Laughter)
(Applause)
15. I want to say -- just a little autobiographical moment -- that I actually am married to a wife, and she's really quite wonderful. I couldn't have done better. I didn't settle. But settling isn't always such a bad thing. Finally, one consequence of buying a bad-fitting pair of jeans when there is only one kind to buy is that when you are dissatisfied, and you ask why, who's responsible, the answer is clear: the world is responsible. What could you do? When there are hundreds of different styles of jeans available, and you buy one that is disappointing, and you ask why, who's responsible? It is equally clear that the answer to the question is you. You could have done better. With a hundred different kinds of jeans on display, there is no excuse for failure. And so when people make decisions, and even though the results of the decisions are good, they feel disappointed about them; they blame themselves.

16. Clinical depression has exploded in the industrial world in the last generation. I believe a significant -- not the only, but a significant -- contributor to this explosion of depression, and also suicide, is that people have experiences that are disappointing because their standards are so high, and then when they have to explain these experiences to themselves, they think they're at fault. And so the net result is that we do better in general, objectively, and we feel worse. So let me remind you. This is the official dogma, the one that we all take to be true, and it's all false. It is not true. There's no question that some choice is better than none, but it doesn't follow from that that more choice is better than some choice. There's some magical amount. I don't know what it is. I'm pretty confident that we have long since passed the point where options improve our welfare.
17. Now, as a policy matter -- I'm almost done -- as a policy matter, the thing to think about is this: what enables all of this choice in industrial societies is material affluence. There are lots of places in the world, and we have heard about several of them, where their problem is not that they have too much choice. Their problem is that they have too little. So the stuff I'm talking about is the peculiar problem of modern, affluent, Western societies. And what is so frustrating and infuriating is this: Steve Levitt talked to you yesterday about how these expensive and difficult-to-install child seats don't help. It's a waste of money. What I'm telling you is that these expensive, complicated choices -- it's not simply that they don't help. They actually hurt. They actually make us worse off.
18. If some of what enables people in our societies to make all of the choices we make were shifted to societies in which people have too few options, not only would those people's lives be improved, but ours would be improved also. This is what economists call a "Pareto-improving move." Income redistribution will make everyone better off -- not just poor people -- because of how all this excess choice plagues us. So to conclude. You're supposed to read this cartoon, and, being a sophisticated person, say, "Ah! What does this fish know? You know, nothing is possible in this fishbowl." Impoverished imagination, a myopic view of the world -- and that's the way I read it at first. The more I thought about it, however, the more I came to the view that this fish knows something. Because the truth of the matter is that if you shatter the fishbowl so that everything is possible, you don't have freedom. You have paralysis. If you shatter this fishbowl so that everything is possible, you decrease satisfaction. You increase paralysis, and you decrease satisfaction. Everybody needs a fishbowl. This one is almost certainly too limited -- perhaps even for the fish, certainly for us. But the absence of some metaphorical fishbowl is a recipe for misery, and, I suspect, disaster. Thank you very much.

(Applause)