

The London Consortium  
**Static.** Issue 03 – Choice and Suffering

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## Barry Schwartz

### Freedom, Choice and Well-Being

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Aiming to initiate interdisciplinary intellectual debate about paradoxes of contemporary culture, Static presents contributions from an international team of academics, artists and cultural practitioners.

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A central aim of public policy in a democratic society should be to improve the welfare of its citizens. Even when resources are plentiful, this is an extremely challenging task, because of the difficulty of determining what “welfare” consists in. Beyond basic necessities, there is great individual variation in what people want out of life. This is true with respect to material goods, and it is also true with respect to what people want from their work, their medical care, their educational opportunities, their relationships with others, their public institutions, the arts, and just about everything else. So any specific commitment of public resources to improved science curricula, to green spaces, to medical facilities, and so on is likely to please some people and displease others.

The way to solve this problem, we are often told, is to provide a wide range of opportunities and let people choose for themselves whatever promotes their personal welfare. Since each individual is in the best position to judge his or her welfare, putting resource allocation decisions into the hands of individuals is a solution to the social welfare problem that cannot be improved upon. This idea has been the central dogma of neoclassical economics from its inception. To improve welfare, one must increase freedom of choice, not because increased choice is necessarily good in itself, but because it raises the chances that each individual will be able to find *something* that serves his or her interests. Adding options is bound to enhance someone’s life, and it’s unlikely to make anyone one’s worse, because those of us who aren’t interested can simply ignore the added options. Though it is true that economists acknowledge the disutility of search and information costs, the fact that search is voluntary, and that individuals can choose to terminate it whenever they want, implies that rational agents will only search to the extent that marginal benefits exceed marginal costs.

Psychology has had a similar perspective on choice and well-being, though for somewhat different reasons. Within psychology, the benefits of choice are tied to the benefits of freedom, autonomy, and control:<sup>1</sup> being able to control significant events in life is essential to well-being. You can’t have control unless you have choice. Thus, the more choice, the more control, and the more well-being; for psychologists, there is no downside to choice.

This central dogma contributes to the welfare enthusiasm of many in the US political class for the privatization of state retirement pensions, of

prescription drug insurance for senior citizens and of school choice for children. And one can find similar, market-driven initiatives throughout the industrialized, western world. Whatever else initiatives such as these may accomplish, they each have the virtue of allowing individuals to pursue welfare as they see fit: risky retirement investments or safe ones; high deductible prescription drug plans or low; open classrooms or highly structured ones.

The importance of choice when it comes to questions of welfare also casts a new light on the emphasis that developed societies place on increasing the material wealth of their citizens. The value of material wealth has more to do with its relation to freedom and choice than with its relation to luxurious standards of living. It is roughly true that the wealthier a person is, the freer he/she is to live the kind of life he/she wants and make the kinds of choices he/she wants. Wealth liberates. Per capita GDP, then, is quite a decent proxy for the amount of freedom enjoyed by individuals in a society, although it is admittedly incomplete and imperfect; civil rights don't require wealth, and wealth doesn't buy one freedom of speech and assembly. But even *with* civil rights, if you have to struggle to exhaustion every day just to meet basic subsistence needs, freedoms of speech or assembly become the kind of luxuries you rarely get to enjoy.

Thus, collective welfare requires freedom, freedom entails choice, and choice is enhanced by wealth. I must admit that this view seems compelling, and what makes it so is the reasonable assumption that if some choice is good, then more choice is better — that the relation between choice and well-being is monotonic. Adding options can't make anyone worse off and will surely make some people better off. Adding options is what economists call "Pareto efficient"<sup>2</sup>. To give some examples, on a recent trip to the market, I encountered 285 varieties and brands of cookies, 75 iced tea drinks, 40 toothpastes, 230 soups, 175 salad dressings, and 275 cereals. In a consumer electronics store I found 110 different TVs, 30 VCRs, 50 DVD players and stereo components that could be combined to make 6.5 million stereo systems.

Aside from consumer goods, in areas of life in which there was once virtually no choice, we now have very real choice, at least in the US. There is choice of phone service: local, long distance, and cellular. There is choice in health care, where it is up to *us* to be informed consumers, as both prescription drugs and medical procedures are marketed directly to patients. There is choice of retirement plans, with some employers offering dozens of financial instruments for employee retirement investment. The university offers an astonishing variety of general education courses and specializations, with the possibility often open to students to design their own specialization if they don't like any of the ones that are on the books. In work, not only is there a wide variety of career paths, but thanks to the modern digital revolution, no matter where you are, you can always be connected and working, giving you the choice of whether or not to work 24

hours a day. Marital and family arrangements have become a matter of choice — whether and when to marry, and whether and when to have kids. Physical appearance is something you now get to choose, with the increasing popularity of cosmetic surgery, tanning salons, fitness studios and the like. And “designer genes” — which hold out the prospect of creating just the children we want — lie right around the corner. It would seem that we have created for ourselves the best of all possible worlds.

The logic relating choice to well-being is compelling. But there is growing evidence that the *psychologic* is not. Indeed, as we shall see, there is growing evidence that for many people, increased choice results in *decreases* in satisfaction — sometimes even misery; that it sometimes produces paralysis, not liberation.

## Too Many Choices and Paralysis

It all began with jam. In 2000, psychologists Sheena Iyengar and Mark Lepper published a remarkable study.<sup>3</sup> On one day, shoppers at an upscale food market near San Francisco saw a display table with twenty-four different varieties of an imported gourmet jam. Those who stopped by and tried a sample were given a coupon that would save them one dollar on any jam they bought. On another day, shoppers saw a similar table, except that only six varieties of the jam were on display. The large display attracted substantially more interest than the small one. But when the time came to purchase, people who saw the large display were *one-tenth* as likely to buy something as people who saw the small display. Iyengar and Lepper suggested that their study showed that, in the context of a consumer market, more choice is not always better than less.

It was a simple study with a cute result. Yet, it is a result that has implications for social science and public policy that challenge the assumptions I just outlined of what we always thought we knew about human nature and the determinants of well-being. And it's not just about jam. There are now several examples, but I will mention only a few:

- As the variety of snacks, soft drinks and beers offered at convenience stores increases, sales volume decreases.<sup>4</sup>
- As the number of retirement investment options available to employees increases, the chances that they will choose any decreases. For every ten funds added to the array of options, rate of participation drops two percent. By not participating, many employees are passing up on as much as \$5000 in matching money from employers. And for those who do invest, added fund options increase the chances that employees will invest in ultra-conservative money-market funds. It is hard to overestimate the significance, and counter-intuitiveness, of this finding. Americans are chronic

undersavers, and even if we can protect our national pension system from bankruptcy, it does not provide senior citizens with nearly enough to see them through retirement. Private savings are essential. If you were to ask an investment professional how to induce people to save more, you would no doubt be advised to offer them more options, so that everyone could find something that was attractive. But doing this has exactly the opposite effect.<sup>5</sup>

## Too Many Choices and Satisfaction

In cases such as these, increased choice often enables people who can overcome paralysis to do better by some objective measure (quality of jam, rate of return on investment). But too much choice has a second effect, one that is perhaps more surprising and significant than paralysis. In the face of many options, people may choose, and choose well, but they will be less satisfied than they would have been if the options had been fewer:

- In the US, as choice in medical and pharmaceutical treatment goes up, patient satisfaction goes down. A striking illustration of the mismatch between how good choice appears in prospect and how it feels in actuality comes from the following finding. 65% of people polled said they would want to be in charge of their treatment plan were they to be diagnosed with cancer. However, the figure dropped to 12% in cases when the respondents had already been diagnosed with cancer. Numerous studies indicate that for many patients, responsibility for decisions about medical care that modern medical ethics has thrust upon them is something that they accept with great reluctance.<sup>6</sup>
- As the number of job possibilities available to graduating college seniors increases, their satisfaction with the job search decreases. This is particularly true for job seekers whose aim is to get the “best possible” job; they get better job offers than seekers who are aiming for “good enough” jobs, but are less satisfied with them nonetheless. They are also more stressed, anxious, pessimistic, regretful, disappointed, frustrated and depressed.<sup>7</sup>

So lots of choice may enable people to *do* better. But it also makes them *feel* worse, perhaps badly enough to contribute to the three-fold increase in clinical depression that has occurred in the US over the last 25 years.<sup>8</sup> It should be mentioned here that as far as I know, the economics of search and information costs do not consider the possibility that those costs continue to have effects even after the choice is made — that burdens in selection “leak” into consumption. If we start to take this cost seriously, the effect of search costs on utility may increase quite dramatically.

My colleagues and I have identified several different psychological factors that help explain why increased choice can result in decreased satisfaction.<sup>9</sup> First, plentiful choice increases the chances that people will regret the decisions they make. This is because many of the passed-up alternatives might have turned out better than the one that was selected. Second, choice increases the sense people have of missed opportunities — opportunity costs — with respect to all the options they have foregone. Third, choice raises people's expectations of how good the option they actually choose will be, with the result that the objective quality of the choice gets lost as it is compared with high expectations generated by the host of possibilities. And finally, increased choice forces people to take personal responsibility for all choices that turn out to be less than perfect. With so many options out there, there is no excuse for anything less than perfection, and when less than perfection is what you end up getting, the fault must be yours.

I can illustrate the mechanism behind these last two points with a personal example. A few years ago, I was vacationing with my family in a cottage in a small seaside town on the west coast of the US. I went to the tiny general store to buy some wine for the evening's meal, and discovered that the store had a half-dozen options. I bought one, brought it to the cottage, we drank it, and everyone agreed that it wasn't very good. But no one *expected* it to be very good, given the selection, and it was clear to all that I couldn't have done anything about it. So we were satisfied. Low expectations and no personal responsibility. Things would have been very different if I had brought home a disappointing wine from a shop that offered thousands of possibilities. Now, expectations would have been much higher, and failure to meet them would have been my fault.

My colleagues and I have also identified a dimension of personality that seems to exacerbate this choice overload problem.<sup>10</sup> There are two different sorts of goals people can have in making a decision. One goal is to find something that is "good enough" — a good enough cereal, stereo, car, mutual fund, college, even spouse. We call people who are looking for "good enough" *satisficers*. The alternative we have identified is to seek the best, to be what we call a *maximizer*. The critical difference between these two types becomes apparent in a world of abundant choice. The satisficer has internal standards of what is good enough and keeps looking until he/she finds something that meets them. Then he/she stops the search, chooses, and doesn't look back. The maximizer, in contrast, can't know he/she has the "best" without examining *all* the possibilities. And since examining all the possibilities is simply not possible in the modern world, when they finally do choose something, maximizers are plagued by the thought that if they had looked a little longer, they'd have done better. The result is that maximizers take longer to make decisions than satisficers, and though they may end up with better results, they are less satisfied with what they get. We find they are also less happy, less optimistic, less satisfied with life in general, and more depressed, than satisficers.<sup>11</sup>

It is possible that abundant choice plays a contributing role in turning someone into a maximizer. For example, I am usually very much a satisficer, but what happened to me a few years ago when I went into a shop to buy a pair of jeans seems to demonstrate the contrary. I asked the salesperson for a pair in my size, and she replied “Do you want slim fit, relaxed fit, easy fit; boot cut or straight leg; button fly or zipper fly; stone washed, acid washed, distressed or unwashed?” What had always been for me a 30-second task had suddenly become a major project. And perhaps more important, I found that for the first time in my life, I actually *cared* how the jeans I was considering fitted me. I had previously had the view that jeans just fit the way they fit, and you lived with them. Not any more. I had been nudged in the direction of maximizing when it came to jeans. And sure enough, I ended up with a pair that fit me better than my jeans of old, but I was disappointed that they didn’t fit me perfectly.

The maximizing/satisficing distinction does not manifest itself only in trivial decisions. American college students are currently experiencing a kind of massive unhappiness that has them flocking to campus counselling centres and taking antidepressants in record numbers.<sup>12</sup> This is especially true in the most elite institutions, populated, by and large, by students who have enough talent and intelligence to take their lives in several different directions. What plagues many of them as graduation nears is the sense that there is some “right” thing that they should be doing with their lives. Moving through one door closes others, and the students don’t want to close any doors until they know for sure what the right door is. If their own talents and expectations, and the world of possibilities, were more limited, students would find the decisions they faced less excruciating.

So, given that the choice experience “leaks” into consumption, the question we should be thinking about is this: if more choice improves the chances of a good objective decision, but makes people feel worse, should we care about objective results or subjective results when we’re out to improve well-being? I think that once people’s standard of living is above subsistence, it is usually the *subjective* quality of the experience that really matters. And increased choice does not seem to improve the subjective quality of experience.

## How Choice Can Be Good and Bad for Us

Psychologists and economists are correct that choice is good for us. But there is “diminishing marginal utility” to the benefits of choice; each new option adds a little less to well-being than the one before it, until the marginal benefits of added choice level off. In addition, there is a second process triggered by choice, one that has been completely ignored. Added options have psychological *costs* as well as benefits: stress, anxiety, regret,

excessively high expectations, and self-blame when choices don't work out as well as we had hoped. When the number of available options is small, these costs are negligible. But as the options grow, the costs grow. And, unlike the benefits of choice, the costs of choice escalate — grow faster and faster — as the number of options increases. Our well-being as a result of choice is essentially the sum of these two opposite processes. Moving from very limited choice to some choice principally enhances what is positive about choice. But moving from some choice to a great deal of choice adds little to what is positive and adds a lot to what is negative. Thus a point is reached at which each new option makes us worse off than we were before.

So whereas a life without *any* freedom of choice would not be worth living, and whereas giving people choices enhances their freedom and their welfare to some degree, it appears not to be the case that more choice means more freedom and more welfare. Indeed, a point may be reached at which choice *tyrannizes* people rather than liberating them. And we may be at that point. The significant implication of this news, both for individuals and for policy makers, is that even if wealth *is* a proxy for freedom of choice, it does not follow that wealth is a proxy for well-being. If well-being is what we ultimately care about in setting social policy, we will have to look elsewhere. And if we can't assume that we can make people better off just by giving them more to choose from, we can no longer avoid addressing difficult questions about what enhances human welfare by throwing options at people and letting them find their own answers.

## Implications for Public Policy

How should public policy respond to the surprising and important fact that increased choice enables people to do better, but feel worse, about how they do? Firstly, it is clear that per capita wealth is completely inadequate as our principle measure of well-being. It fails both because wealth isn't especially important to well-being (beyond subsistence), and because more choice (produced by more wealth) does not produce more well-being. It is easier to measure per capita wealth than it would be to develop and measure a more accurate indicator of well-being. But we must avoid formulating public policy based on what we can measure easily instead of what really matters.

Secondly, "choice" can no longer be used to justify a social programme in and of itself. Should government retirement pensions be partially or totally replaced by private retirement savings? Should we offer senior citizens a choice of insurance plans to cover the cost of prescription drugs? Should we offer parents a choice of public schools? We can no longer answer any of these questions affirmatively by appealing to the idea that choice is good in and of itself. A specific argument has to be made in each case about how choice will improve welfare; sometimes the argument will

be convincing and sometimes not. And when this specific argument is made, the benefits need to be weighed against the costs of increased choice to well-being.

It may then be wise to listen to Cass Sunstein and Richard Thaler, who suggest that we should structure choice in a way that takes advantage of what we know about how people make decisions.<sup>13</sup> We know that, for a variety of reasons, people are heavily influenced by the “default” option. For example, in various parts of Europe, the “default” option when you get a driver’s license is to be an organ donor. You have to check off a box on your application form if you wish not to be. In the US, the reverse is true. In these various European countries, 90% of drivers are organ donors; in the US, 28% of drivers are organ donors. Similarly, it has been found in a study in the US that when the “default” option is to have money taken from your paycheque and put into a retirement account, savings participation is much higher than when the default is not to have wages deducted.

So what Sunstein and Thaler propose is what they call “libertarian paternalism.” Structure choices so that the number of options is limited, and the default option is the one that is most welfare enhancing on average (this is the paternalism part), but let people opt out (this is the libertarian part). This is a way to retain freedom of choice, while keeping the number of options manageable and engineering things so that if people get overwhelmed and avoid making the decision, what they’ll get “stuck” with is probably what is in their best interests anyway.

Notice that the “default option” need not be the status quo option. If an opportunity comes along where well-being can be improved by moving people off the status quo option, then the new, enhanced option should be set as the default. I know that inertia — what is sometimes called the “status quo bias” — is often a real obstacle to social progress. And I suspect that adding multiple options only enhances the status quo bias. So defaults must be set on some basis other than that we have always used.

### “Freedom,” “Choice” and “Autonomy”

What does this accumulating evidence about the negative effects of excessive choice tell us about the relation between “freedom,” “choice” and “autonomy”? We assume they go together; indeed, that they are essentially different words for the same concept. But I think that choice, freedom and autonomy are not as closely related as we think.

Philosopher Charles Taylor points out that over the last 500 years, self-understanding has been moving in a more or less straight line from “outside-in,” through participation in larger entities (the divine order, the “great chain of being,” nation, community, family, etc.) to “inside-out,” with

purpose discovered from within each individual and the notion of “authentic” self-expression as the supreme aspiration.<sup>14</sup> We in the west have seen this evolution as progress, each step enhancing freedom, and like fish who don’t know they live in water, we find it hard to imagine thinking about our lives in any other way. But psychologist Hazel Markus, in research on East Asian versus western cultures, has shown that this movement from “outside-in” to “inside-out” is not universal: most East Asians still define themselves in terms of their relations to others. Her research doesn’t challenge the notion that within *western* culture, more freedom — more “inside-out” — is better (though some of her most recent research suggests that this “inside-out” view may be limited to the educated elite.) However, the jam study and its companions suggest that perhaps more “inside-out” isn’t better, that it isn’t all just a matter of cultural preference. East Asians may know something that westerners have forgotten. Consistent with this possibility, there is good evidence that the most significant determinant of our well-being is our network of close relations to other people. The more connected we are, the better off we are. The thing to notice about close relations, in connection with freedom, choice and autonomy, is that close relations constrain, they don’t liberate. When we have responsibilities and concerns about other people, we can’t just do anything we want. Until now, the thought has been that this constraint is perhaps just a price worth paying for strong social ties. But, with overwhelming choice becoming the norm in almost every aspect of life, perhaps it is more accurate to say that the constraints of close relations with others may actually be part of the *benefit* of those relations rather than a cost.

We can’t stop a society that is governed by the free market from throwing ever more options our way. What we can do is stop the state from mindlessly adopting market principles and extending choice to every corner of our lives because “choice is good”. Choice isn’t always good, and the state should have to meet stringent tests before we allow it to “marketize” any of the goods and services it now provides for all its citizens. Choice imposes a significant burden on us, and unless it also confers an even more significant benefit, giving us choice will not improve our lives.

### Further Reading

This short list aims to introduce readers to some of the standard works in marketing research on servicescapes and choice. It was compiled by Norah Campbell of the Marketing Department at the Dublin Institute of Technology.

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## Endnotes

<sup>1</sup> See Seligman, Martin. *Learned Helplessness*. San Francisco: W.H. Freeman, 1975.

<sup>2</sup> After the economist Vilfredo Pareto (1848-1923), whose work on the allocation of resources in society remains a cornerstone of welfare economics.

<sup>3</sup> Iyengar, S. and M. Lepper. "When Choice is Demotivating: Can One Desire Too Much of a Good Thing?" Journal of Personality and Social Psychology, 79 (2000), 995-1006.

<sup>4</sup> Broniarczyk, S., Hoyer, W. and L. McAlister. "Consumers' Perceptions of the Assortment Offered in a Grocery Category: The Impact of Item Reduction." Journal of Marketing Research, 35 (1998), 166-76.

<sup>5</sup> Iyengar, S., Jiang, W. and G. Huberman. "How Much Choice is Too Much: Determinants of Individual Contributions in 401K Retirement Plans." In Mitchell, Olivia and Stephen Utkus, eds. Pension Design and Structure: New Lessons from Behavioral Finance. Oxford: Oxford UP, 2004, 83-95.

<sup>6</sup> See Schneider, Carl. The Practice of Autonomy. Oxford: Oxford UP, 1998.

<sup>7</sup> Iyengar, S., Wells, R. and B. Schwartz. "Doing Better but Feeling Worse: Looking for the 'Best' Job Undermines Satisfaction." Psychological Science, 17 (2006), 143-50.

<sup>8</sup> See Lane, Robert. *The Loss of Happiness in Market Democracies*. New Haven: Yale UP, 2001; and Myers, David. *The American Paradox: Spiritual Hunger in an Age of Plenty*. New Haven: Yale UP, 2001.

<sup>9</sup> Schwartz, Barry. The Paradox of Choice: Why More Is Less. New York: Ecco, 2004.

<sup>10</sup> See Schwartz *The Paradox of Choice*.

<sup>11</sup> See Schwartz *The Paradox of Choice*. For the original research, see Schwartz, B., Ward, A., Monterosso, J., Lyubomirsky, S., White, K. and Lehman, D. "Maximizing Versus Satisficing: Happiness is a Matter of Choice." Journal of Personality and Social Psychology, 83, (2002) 1178-97.

<sup>12</sup> See Lane and Myers.

<sup>13</sup> Sunstein, C. and R. Thaler. "Libertarian Paternalism is not an Oxymoron." University of Chicago Law Review, 70 (2003), 1159-2002.

<sup>14</sup> Taylor, Charles. *Sources of the Self*. Cambridge, Mass.: Harvard UP, 1989.