

S04E08: Why do we choose what we choose?

Crossing Channels
Interdisciplinary answers to today's challenging questions
A Podcast series hosted by **Richard Westcott**

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Season 4 - Episode 8
WHY DO WE CHOOSE WHAT WE CHOOSE?
With
Catherine Molho, IAST
Maximilian Müller, Toulouse School of Economics
Simone Schnall, University of Cambridge

HOST

Richard Westcott (University of Cambridge)

GUEST SPEAKERS

Catherine Molho (IAST), Maximilian Müller (TSE) and Simone Schnall (Cambridge University)

Richard Westcott 00:02

Hello and welcome to Crossing Channels. I'm Richard Westcott. Why do we choose what we choose? That's the subject of the latest in our podcast. Collaboration between Cambridge University's Bennett Institute for Public Policy and the Institute for Advanced Study in Toulouse, as ever, we're going to use the interdisciplinary strengths of both institutions to explore a complex issue, how physical experiences, emotions and social norms shape our choices, how uncertainty and trust influence the way we judge information and take risks, the role gossip plays in choice and how people navigate tough trade offs between competing goals.

Richard Westcott 00:50

To explore these issues. Today, we have chosen three fantastic guests, Simone Schnall from Cambridge University. Simone, start us off, what does your research focus on?

Simone Schnall 01:00

Thank you, Richard, my research looks at how people make judgments and decisions that often aren't quite as rational as they think they might be okay, intriguing.

Richard Westcott 01:10

Now joining us from the last and Toulouse School of Economics, we have Katherine Molho and Maximilian Müller. Catherine, remind us of your main research interests.

Catherine Molho 01:21

Thank you, Richard. My research interests focus on why we choose sometimes to cooperate and be generous, especially for example, with strangers, so in cases where we wouldn't expect such cooperation, and I also study how we respond when others don't cooperate, when they violate social norms.

Maximilian Müller 01:46

And Max, what's the central focus of your research?

Maximilian Müller 02:05

Thanks, Richard. It's a pleasure to be here. I'm especially interested in social influences on our behaviour, especially when it comes to decision making within families and big life decisions such as educational choices or how many children to have. And then also in I'm interested in memory, around how do we remember our past desires or past goals.

Richard Westcott 02:13

Welcome to the three of you. I have to say, having read up with my research before this podcast, I've been second guessing every choice I've made, like in life and today. So it's going to be really interesting when people listen to this there's things in here that will get you thinking about the choices you make. So every day, we make 1000s of decisions, what to buy, who to trust, where to invest our time and resources, what podcasts to listen to. Yet most of these choices are shaped by forces we barely notice, emotions, social pressures, biases and hidden incentives. For a long time, decision making was modelled as a rational process individuals weighing costs and benefits to reach the best outcome, but research across psychology, behavioural economics and finance shows that our choices are often driven less by careful reasoning than by intuition, emotion and the people around us today, we explore what really drives human decision making and what understanding these forces means for how we live, govern and build for the future.

Simone, you lead the Cambridge body, mind and behaviour laboratory, where you ask why people often behave in surprising ways, and explore how physical experiences influence judgement. So based on your research, how much do you think our everyday decisions are influenced by bodily sensations and subtle environmental cues, even when we believe we're acting rationally?

Simone Schnall 03:41

So we often think we act rationally, when, in reality, we might be influenced by all kinds of cues, especially bodily cues, how I feel at a given moment. For example, we did a study where we looked at the decisions of a large Bank's credit officers, whether the bank will give them money. And we looked at these decisions, which could either be favourable or unfavourable, as a function of when those decisions were made over the course of the day. And what we found was that in the morning, presumably when they were still rested and refreshed, the credit officers were more generous in agreeing to give someone a loan, and that dropped roughly by 11 o'clock, went down a bit more over lunchtime, and then went up

again after lunchtime. Whether a credit officer agreed to approve a loan that someone had applied for depended to some extent on whether that credit officer was feeling refreshed, full of energy, or more fatigued, tired, exhausted, perhaps, or even just hungry because lunchtime was coming up. Yeah. Now I should say that was a somewhat small effect, so not the same orders things like back to object. So this was a small effect of a much smaller magnitude than factors such as a person's credit score, but nevertheless, we found it can have a statistically significant effect on real life decisions.

Richard Westcott 05:24

Catherine, how much of our decision making, even when we believe it's individual and rational like we've just been hearing, is actually a response to the perceived expectations and norms of the people around us.

Catherine Molho 05:36

It's super interesting to consider, in my view, rationality and responding to expectations and norms are not so antithetical, so contradicting, perhaps. I think, as Simone was saying, we do take into account the costs and benefits rational considerations when we make decisions also tend to interact and spend a lot of our lives in groups, and so it's really, really crucial to think about, when we make our decisions, how others are going to judge them, what others typically do, and how our reputation might be shaped in the face of an audience. Our own and other studies do indeed show that people's decisions might be different when, for example, their decisions to cooperate with others or to give money to charity, depending on whether someone is watching or not.

Richard Westcott 06:37

That's really interesting. I was going to ask, is an anonymous decision sometimes then a different decision to one where people are watching?

Catherine Molho 06:44

Yes, definitely, and our own and others. Controlled experimental studies show that the level of anonymity matters. So for example, if you make a donation decision where you sign with your name and people can even see, for example, your photograph on your social media profile information about you. This might motivate you to give much more generously than if you make this decision anonymously.

Richard Westcott 07:16

Interesting for voting as well in general elections, and that sort of thing is that max your research explores how social influences shape big life decisions. You've talked about that like career and family choices and the number of children and so on. So what have you found about the hidden factors that guide individual decision making in those critical areas?

Maximilian Müller 07:36

One thing I've looked at is educational choices. So let's say students who are about to finish high school and have to decide whether to go to college or to do vocational training and what major to do. And I've looked at whether students make different choices depending on whether kind of what they say they want to do is observable by their parents or not, and what I find is that students actually make different choices when these are observable by their

parents, what they would privately aspire to versus what they say in public can deviate. And then a second question is, where do these private aspirations actually come from? So what I've also looked at with a team of co authors is, at what age do students actually start reporting different answers, what they want to do after school, depending on whether it's confidential or they have to discuss it with parents. And this happens pretty early on. The younger students we looked at were 11, and already there, you see that it makes a difference whether they have to discuss it with their parents or not, whether, let's say girls or boys say they want to do something STEM related after school.

Richard Westcott 08:50

Max, you've also explored selective memory and how that shapes big, big life decisions. I looked at one of your papers, and the opening line was, selective memory can lead people to mistake life outcomes as to what they always wanted, which is really interesting, years later, they think what they've achieved is actually what they wanted when it actually wasn't. Could you explain a little bit first of all, about what you mean by selective memory, and then how it works in practice?

Maximilian Müller 09:16

So selective memory basically means that we don't necessarily remember everything as it was, but we might remember some things, but not others. And in this process of remembering, there might be some selection happening that can be unconscious or conscious, and it can be motivated or not motivated. So people could actively suppress memories, meaning that they try not to remember certain things, or they try to forget over time, or they could try to avoid encoding memories. To start with, the context where I've looked at this was the fertility context in Kenya. So the question of how many children. Do Kenyan women and men want? And here we use the panel where women and men were asked how many children they wanted to have in their lives, starting at an age of 22,26,30 and then, now, when they were around 35 we asked them, "How many children did you want to have when you were 22?" and what you can see that how many children they currently have or how many children they currently want significantly drives what they remember. So especially those who have more kids than they once wanted, now they're much more likely to say they always wanted as many kids as they have today.

Richard Westcott 10:40

That's really that's really interesting. Simone, your research shows that emotional states like fear and disgust can significantly influence moral judgments and social perceptions. So when people face uncertainty, how do emotional reactions shape their willingness to take risks or trust others?

Simone Schnall 10:59

So it's usually assume that when it comes to morality, we look at the evidence. Of course, we also look at the evidence, but there might be additional, what we call intuitions or feelings emotions, that might also play a role. So to give you an example, thinking back to the pandemic, the COVID 19 pandemic. What we did was to first of all ask people how concerned they are about getting sick with the virus. This was, again, in the early days. This was in the US where it hadn't spread that much yet, and that was one thing we assessed, to look at people's uncertainty, fear of getting ill and so on. Then we asked them to complete a list of moral judgement items, and we wanted to see whether their level of moral

condemnation changed as a function of how worried they were at that time about catching the Coronavirus. So in other words, being concerned about getting ill, about living in a threatening context. In Of course, the pandemic was very was an emergency situation for the entire world. So whether that state, that psychological state would also relate to how people judge right and wrong, how they tell right from wrong. What we found was that those people who were very concerned about catching the virus, they were also more judgmental when it came to assessing whether someone had done something wrong, whether someone felt threatened at a given moment about their own physical health. Now, importantly, that's something completely unrelated to the moral situation they were judging that nevertheless had an influence how they responded to that question, and that was key in our research to look at something that had a moral connotation or moral valence, but had absolutely nothing to do with that pandemic context at the time. But the point is that feeling threatened, feeling afraid for your health, perhaps also your family and the world around you, being an uncertain place and not quite knowing what's going on, those emotional states can then influence how you how you look at things that are completely unrelated.

Richard Westcott 13:33

Catherine in your work on cooperation and social norms. So emotions like anger play a key role in motivating third party punishment, for example. So in uncertain environments, do emotional reactions help sustain cooperation, or can they sometimes go the other way deepen conflict and distrust?

Catherine Molho 13:52

There's a lot to unpack there, so I'll start perhaps with the research that we have done, both in experiments and in daily life, to see how emotions relate with different kinds of responses to norm violations. So, for example, we've asked participants in the Netherlands just community members to report on norm violations that they experience in their day to day lives. These can be interpersonal violations. They can also be things like sexist or racist comments that they hear in public spaces. These are the kinds of things people report and then we measure how they feel in response to these violations and what they are inclined to do, and what we find across many of our studies is that when they experience anger, they are more more willing to confront others verbally so say something about the violation, but when they experience feelings of disgust, which can be an emotion experience in the moral domain as well, they are more likely to avoid interaction or gossip exclude violators. So we see that emotions like anger and disgust relate with very different responses. Now whether these emotions can help sustain cooperation, or whether they breed conflict. I think this depends on the side of individuals. I think these emotions just motivate responses that can be individually beneficial. So to gear anger in a pro social direction, to sustain cooperation we need, I think, other additional interventions. We need some kind of institution on top. I don't believe anger in itself can sustain cooperation.

Richard Westcott 15:51

Now, you mentioned gossip in one of your answer just then as well. One of your papers is about the role of gossip and reputation in everyday life, and it really caught my eye. Could you explain how people use gossip?

Catherine Molho 16:02

Yes, so traditionally, gossip has been seen as a nasty tactic that people use to compete with others or to manipulate others reputation. But more recently, research has seen gossip also as a way to promote cooperation, so by sharing information about who is a good partner, who is a nice person to interact with, or who is not so nice, we can decide who to work with and who to avoid. So indeed, we've also done work in daily life, asking people about how they use gossip and especially when they receive gossip, how this affects their behaviour? And we find that, for example, receiving gossip, learning that someone is a bad partner, shapes how people respond. So we will avoid those that we hear negative information about, and seek interactions with those that we hear nice things about.

Richard Westcott 17:03

Simone, when people face trade offs between competing moral values like fairness versus loyalty, for example. How do you think these intuitive reactions shape the strategies they use to resolve difficult choices?

Simone Schnall 17:16

So loyalty can be a very powerful feeling that can override tendencies, for example, to be fair or to be systematic about objective evidence. Now, loyalty is something where one feels attached to a certain group that shares similar values, if we think of the current political context in the US, of course, a remarkable display of loyalty is what the voters of Donald Trump exhibit towards him as a president at the moment and decisions he's making, whether it's about tariffs, most prominently, and other other important policy decisions that can affect them financially to a great extent, and where, objectively speaking, they might in fact, be worse off. But nevertheless, many people are still highly loyal to the cause, loyal to Donald Trump, loyal to the whole Maga movement. How can we explain that? We did some work during Donald Trump's first term, where he had implemented a tax reform. We looked at whether people who were in fact worse off after the tax reform, whether they reduced their support for Donald Trump. So we asked people who had voted for him in the election what they expected to be their tax burden in a given year. So they made a prediction, and then a few months later, we asked them what in fact, they did end up having to either pay in terms of taxes or what their refund was. This was to test whether being disappointed in one's personal outcome, financial outcomes by the political leader that you're endorsing and that you're loyal to, whether that led people to change their minds. In a nutshell, that did not happen. People were still supportive of Trump, and rather than reducing their support, they in fact said, well, actually, taxes aren't that important anyway. They're not as important to me as things such as build a wall, which at the time was the Battle Cry of the first presidential campaign. So we see now a similar situation where people very likely are consistently loyal in a political context, even though it might not, they might not benefit themselves, especially financially.

Richard Westcott 19:57

It's going to be really interesting to see what happens at this Donald Trump term, isn't it? Because he's pushing things much further economically, and everyone's looking to see where that loyalty lies. Does it stay there? Does it go? It's going to be very, very interesting. Max in your research, you've developed a model to understand how identity can distort investment decisions, shaping both beliefs and preferences. Can you tell us a bit more about what you found?

Maximilian Müller 20:25

Yes, sure. So the way we think about it is that identity can come in two ways when you make decisions to invest or not or how much to invest. So one would be beliefs. Identity can shape your beliefs, what you expect the world to be like, or which assets you think will return, more or less. And these beliefs can be shaped by identity, either because you want to believe something, or just because certain identities come with certain beliefs. The second way identity could affect financial decision making would be identity specific preferences. So for example, you could feel bad for benefiting from an outcome that kind of goes against your identity. And in our study, this is in the context of investing in different outcomes of football matches. In this context, you can very naturally elicit people's beliefs, what they think will happen. People have very clear identities, and the decision context is exactly the same, no matter whether you invest in a game where your own team doesn't play or your team plays. And we find evidence for both kind of identity specific beliefs being important and identity specific preferences. So people behave differently. They invest differently depending on whether their team is involved or not. And this wedge between kind of, you know, neutral investing versus identity investing can be explained by 30 to 40% by these identity specific beliefs, and between 60 and 70 coming from these identity specific preferences. So you don't want to invest in your team losing, because that makes you feel bad or not like a true supporter. And then we model kind of this identity preferences as a tax. So by how much do you discount benefiting from outcomes that go against your identity? And we find that this is between 20 to 25% of attacks. So in a way, it's related to what Simone said earlier, you know you would discount outcomes that kind of go against your identity, and then maybe that even shapes your belief, because you want to believe certain things rather than others. I was curious about what you Catherine said about the relationship between kind of anger and punishing norm violations. And I was curious whether you looked at this across different societies?

Catherine Molho 23:10

Yeah, thanks, Max. I also think cultural variation in punishment responses is a really, really fascinating question. What we have done so far is we've looked at how anger and disgust relate with people's responses in the US, in the Netherlands, and recently we did this in Japan. And we find very, very consistent relations. So in all of these different countries, and especially well, both in the west and in the east, we see that when people experience more anger, they are more willing to confront others, and when they feel more discussed, they choose more indirect tactics to respond. At the same time, there's research showing vast differences across countries in what kind of responses punishment reactions to norm violations they find appropriate. So for example, there are countries like the Netherlands that consider gossip to be the most appropriate response to norm violations, and other countries, other communities that find confrontation to be much more appropriate. And it's an open puzzle for research to explain, I think, this variation to understand why we see these differences.

Simone Schnall 24:36

Where does Germany fit? Just asking for a friend.

Catherine Molho 24:43

I would have to check my personal experience would place Germany in the high norm enforcement quadrant. What is the preferred strategy of norm enforcement I'm not sure.

Simone Schnall 24:59

Pretty direct, though, right? Germans are pretty indirect. I would think

Maximilian Müller 25:01

It's sometimes very open confrontation.

Simone Schnall 25:07

Yes, what you see is what you get.

Catherine Molho 25:08

Thanks for the German citizen for jumping in.

Richard Westcott 25:11

We should just go through every country in Europe. Now, shouldn't we just do fairness? Yes, that's right. Let's finish up by looking at how we put all this together, what we've learned and how we can apply it to hopefully make the world a better place. So how should new insights from psychology, social science and economics about real world decision making change the way we design policies, organisations and technologies. And also, I guess, the role AI will play on this as AI progressively is going to make choices for us and take moral decisions for us as well. Let's start with you Simone. How can we apply all of this to create better systems for the world?

Simone Schnall 25:51

So, we discussed quite a bit about how people aren't as rational as they think they are. They make mistakes, they have biases and so on. But it's really important to also keep in mind that we also often do make the right decisions. We make good decisions. We do exactly what turns out to be the right thing in the long run when we follow our feelings or our intuitions. So intuitions, feelings, these kinds of processes do have a place, and they can be quite important and adaptive and useful. So we should keep that in mind, and that is especially relevant, of course, when it comes to AI where these aspects are simply missing. AI systems don't have bodies, therefore they don't have feelings, because the definition of a feeling, of an emotion, is that you perceive what is going on in your body. Is your heart rate increasing? Is your palms getting sweaty? Is your mouth getting dry when you're afraid? That tells you you're afraid, you're concerned, you're worried, and so on. So we have feelings that tell us something meaningful, and we shouldn't necessarily discount them.

Richard Westcott 27:10

So Max, how do you think we should apply insights to create better policies and organisations and technologies and so on?

Maximilian Müller 27:17

So I think one really important question is, what? What do people really, really or truly care about? So we've seen that social influences are very strong, and sometimes researchers or politicians policy makers portray them as biases. But you know, social considerations are very important for us. It's not all about kind of financial outcomes. And as economists, you know, maybe we've been guilty kind of focusing a little bit too much on financial

consideration sometimes, so better understanding how to create policies that strike the balance between financial well being but also social well being, that's really a challenge. And I think that's that's kind of where we have to go. It's not easy, but hopefully going forward, you can, we can make some progress on finding the right policies there.

Simone Schnall 28:11

It's really important how we actually define a good decision so that could be benefiting an individual, or it could be benefiting a group. By the same token, it could be in the short run or in the long run. So what is a good decision really depends on all kinds of factors.

Maximilian Müller 28:28

Exactly. And another question is often, what can we measure right? And measuring something in the long run is very hard. Measuring something that doesn't have a simple currency to measure can be quite hard, and then we often pay attention to what we can measure. So I think that's another challenge that we kind of have to overcome.

Richard Westcott 28:52

Catherine, I'll leave the last word to you.

Catherine Molho 28:54

Yes, perhaps bringing this together. And going back to our earlier discussion, I think many of the emotions and behavioural tactics that we've talked about, like punishment, can be used in all sorts of ways. One of the most exciting developments, in my view, in recent research is to try to understand how we design institutions and how we develop norms that shift these emotions and behaviours in different directions. So when it comes to punishment, we can use this for pro social purposes, for the good of the group, like Simone was saying, we can also use this for selfish and competitive reasons. And I think it's crucial to better understand the role of norms and institutions to gear things in a prosocial way.

Richard Westcott 29:46

Well, that's all we have time for on this episode. Thanks to Simone Schnall from the University of Cambridge, Catherine Molho and Maximilian Müller from the Institute for Advanced Study in Toulouse and the Toulouse School of Economics. Let us know what you think. This latest episode of season four of crossing channels. If you enjoyed it, then do leave us a review. It helps us shape future episodes and helps people find us. So we do appreciate it, and do please listen to other crossing channels episodes, including our last one, where we discussed how we can make food that it's good for health societies and the economy.