BOOK REVIEW

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The Paradox of Choice: Why More Is Less

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Almost everyone faces a paradox of choice every single day of their life. The author focuses on this dilemma in the book. The author asserts that the official dogma of the Western society is that in order to maximize the welfare of the society, individual freedom has to be enhanced. This leads to an increase in choices for an individual.

The book starts off brilliantly with an array of examples from everyday life. An interesting inference is made using the doctor–patient example. The doctor offers a sick patient a choice of different treatments, stating the risks and benefits for each one of them. If one looks at this situation very carefully, what is actually happening is that the burden of such an important decision is being shifted from the doctor to the patient, that is, from someone who is more informed to someone who has only a vague idea. Herein lays the question: Do these choices actually make us better off? Experiments and surveys have discovered that multiple choices rarely make consumers better off; rather, they go back to the same position, if not worse off.

A common and interesting theme throughout the book is how it tackles the issue of consumer behaviour. Consumer behaviour has implications in all fields: economics, marketing, organization behaviour, and psychology. In the first few chapters, the author discusses how life presents innumerable choices, making life more difficult for us, and then he goes on to discuss how to ease that burden by prioritizing our goals in life.

Availability heuristic is stressed upon to help individuals take decisions. This term was coined by Daniel Kahneman and Amos Tversky. Availability heuristics can be explained as a mental shortcut that immediately comes to one's mind while making a decision. While availability heuristics plays a very important role, anchoring of information is equally important. Anchoring is, in reality, a technique which is used by most retailers to frame prices in a consumer's memory. Whenever a consumer notices a discount, or a hike in prices, he/she immediately goes on to compare it with the previous price. The underlying fact is that the retailer thinks one step ahead of the customer and sets (anchors) a price in our mind, such that the discount would be attractive. After all, prices can be tampered with and are not as simple as the equilibrium of demand and supply.

The next critical issue that the book addresses is with human behaviour. Standard economic theory has taught us to be maximizers. A rational man should, then ideally, maximize his utility in the form of money, consumption, or leisure, subject to a certain set of constraints. However, the author has presented a different aspect to this. He feels that humans should transform themselves to satisficers as this would actually enhance their welfare. The author explains satisficers as those individuals who make a decision once their defined criteria is met. Satisficing, as a theory was first defined by Herbert Simon in his paper 'Rational Choice and the Structure of the Environment' (1956). Various experiments have inferred that there is more regret than happiness in maximizing. On the other hand, satisficing is an option to deal with the complexities arising from the abundance of choices. Herbert Simon in his economic theory of satisficing has studied and modelled that the ultimate aim of individuals/firms is not to maximize utility/profit, but to satisfy its demands. Hence, individuals seek something that is 'good enough'.

The book, in its third part, discusses concepts such as trade-offs and opportunity costs, and tries to link it to the choices that individuals make in their lives. Trade-offs have their own psychological consequences, and every new choice that pops up will increase the list of trade-offs. Opportunity costs too have a negative impact on our decision-making and leave an individual dissatisfied. The author suggests that if opportunity costs trouble us so much, then we should stop considering it. However, it is practically not possible to exclude or ignore the opportunity costs. Thus, a smarter way to go through it is to limit the possibility of other alternatives, which will in turn reduce the adversity. Continuing along these lines, the book discusses how decisions can be both reversible and irreversible. Some decisions in our life come with a refundable/reversible option, while some of them lack that flexibility. The question to ponder upon here is: How do individuals facing this dilemma eventually make a decision? It has been studied that individuals tend to agree with their decision, if the decisions are irreversible. If decisions are reversible, then individuals start finding flaws in the choices they made, even though they may not seem logical. Irreversible decisions are meant to be taken as a sunk cost such that future decisions should not be dependent on them.

A famous example cited in the book is the experiment involving two groups at a theatre. One group had paid the full price for the ticket, while the other got the ticket at a discounted rate. It was observed that the group that paid the full price for the ticket ended up sitting through the entire movie. This is because the regret of not watching it was greater than those who paid a discounted price for the ticket. This experiment exemplifies the concept of sunk cost. In reality, individuals place an anchor on their sunk costs, which brings them more harm than good. Economic theory suggests that sunk costs should be irrelevant, and hence decisions should always be taken on the margin. By placing more importance on opportunity costs than on sunk costs, the author suggests that individual welfare could be improved.

The book, in its final chapters, slowly turns the readers to ways in which they can deal with the paradox of choice. It is arguably one of the most difficult tasks to make decisions in our lives daily. An individual maybe a maximizer or a satisficer, but comparing one's decisions to that of others clouds one's thought process. Focusing on such comparisons, the author asserts that once individuals start comparing with each other, what he/she owns is never 'good enough'. If an individual is a maximizer, then his/her aim would be to get the best of what he/she has; however, how would he/she know what the best is if he/she does not compare? This question led the author to think whether being a satisficer is better than being a maximizer. Since getting the best becomes so difficult, individuals often settle for something that is good enough, thereby again proving that being a satisficer is the best way to maintain one's autonomy in this world of abundance choice.

Knowing how to prioritize one's goals is one of the measures to reduce the ambiguity caused by choice. Another way is to stop pondering over the opportunity cost, and this behaviour comes by becoming a satisficer in life.

The book has introduced researchers to a path that few have thought of before. Although hard to implement, if the theories and suggestions in the book are followed, life can be much simpler with decisions being more streamlined and coherent. The book has beautifully encompassed views of the producer, the consumers, and multiple stakeholders in different forms of business.

It can answer many queries that pop-up when an individual is faced with choices.

There are, however, certain limitations about this paradox. Should there then be no choice at all? And if that be the case, how would business look like? Almost all industries would transform from an oligopoly market to a monopoly market, which would lead to higher prices. Like all other paradoxes, this too remains unsolved; however, on reading this book, one can be more assertive and informed while taking decisions. This book has been written keeping in mind a very large audience, from almost all sectors in the economy, as choice is truly a necessary evil.

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