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The Motivated Armchair Approach to Preferences

Siegwart Lindenberg

» *Let's forget about the economic idea that a person's preferences are complete and follow a transitive ordering.*

Big strides have been made in the research of social preferences. But economists should drop both the idea that a person's preferences represent a complete and transitive ordering and that conflicting preferences must belong to two different types of people. The really interesting question then is: if this is wrong, what is right?

The upshot of this piece is that a motivated armchair approach to preferences that prioritizes tractability in model building over realism is a serious obstacle to progress in microeconomics. Such an approach makes economists miss out on paying attention to the most important source of adaptation and flexibility in daily life. The first speed of adaptation (genetic encoding) is very slow, and the second speed (phenotypic plasticity, i.e., learning) is much faster but still very slow with regard to changing situations, but it is the third speed of shifting the salience of mindsets (i.e., overarching goals) that provides the adaptability and dynamics of behavior in day-to-day interactions. Mindsets only influence behavior to the degree that they are salient (i.e., activated). Like shadows, sets of preferences are activated along with the activation of mindsets.

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There are three major mindsets: (1) the gain mindset, directed at increasing one's resources, such as money; (2) the hedonic mindset, directed at feeling good; and (3) the normative mindset, directed at behaving appropriately. That it is just these three makes great evolutionary sense. At any given moment, all three mindsets are activated to some degree (thus, there are always multiple motives), but one will be the most salient and largely determine what we pay attention to and what we ignore, what parts of our knowledge system are activated, what we expect others to do, which goal criteria are important, and, importantly, which set(s) of preferences are activated.

By now, we know much about the workings of mindsets and thus about the situational activation of mindsets (together with the respective set of preferences). Any situation that clearly signals that one is part of a joint effort (converging interests and common goals) or that one contributes to a meaningful collective result will increase the salience of the normative mindset, as will the observed respect for norms by others and legitimate sanctions. Observed disrespect for norms, cues of social distance, and illegitimate sanctions will have the opposite effect. The gain mindset will reliably increase in salience when the costs of behavior increase, when situations turn competitive, and, more generally, when costs and benefits are expressed in terms of a medium of exchange (such as money). The hedonic mindset reliably increases in salience when cues in the situation create or activate threats or affordances for the satisfaction of fundamental needs (such as hunger, sex, comfort, status, or affection), frustrate expectations, or create anxiety. The mechanisms that govern the shifting salience of mindsets also explain which factors stabilize mindsets (and thus preferences) across different situations: values and identities. But these stabilizers do not lead to fixed preference types because they can be and often are overruled by situational factors. In short, by now, we know much about the workings of preferences, and we know how important the third speed of adaptation is, so that there is no reasonable defense left for prioritizing the tractability of model building beyond dealing with the dynamics of shifting saliences.