Section 6: Emotions and Decisions

Emotions can influence decisions through temporarily altering perceptions of benefits, intertemporal tradeoffs and risks. In this sense, they can be seen as acting as barriers to fully rational decisions. Emotions also play an important role in economic interactions; anger, spite or indignation may lead people tome decisions that are different to predictions from rational choice. However, emotions themselves may be influenced by rational considerations. In this vein, even extreme emotions such as hatred can be thought of as methods for coordinating interest groups in political bargaining games. The final idea is that we are bad at predicting how our emotions will respond to changes in events, known as affective forecasting.

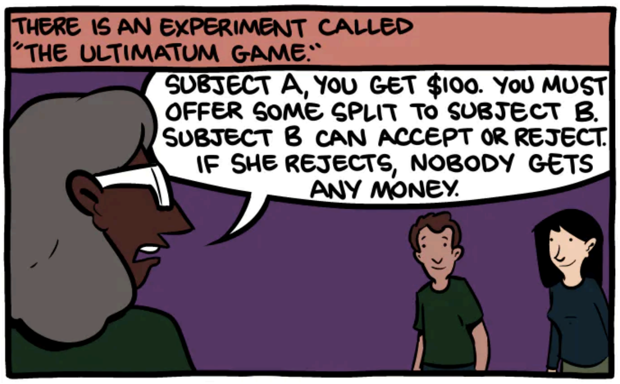
I. Emotions and Perception

The first idea is that emotions can influence decisions through altering temporarily altering perceptions of benefits, costs, intertemporal tradeoffs and risks. The main article for this is the Loewenstein article on visceral factors such as hunger, thirst, sexual desire or physical pain. In this sense, emotions are seen as acting as barriers to fully rational decisions. There is a strong link to the topic of intertemporal choice as visceral effects can be seen as the underlying cause for why we place such a heavy weight on the immediate present. For example, when a person is hungry, finding food becomes the most important goal in that moment, and other goals tend to be overlooked or delayed.

Loewenstein and Ariely showed that s visceral factor - sexual arousal - changed participants answers about hypothetical sexual behaviour. Answers given in non-aroused (neutral) and aroused states and showed a pattern of increasing preference for risky and morally questionable sexual behaviour when in the aroused vs. neutral states. It is also important to note, participants were not able to predict the influence of this visceral factor on their own behaviour.

II. Emotions and Economic Behaviour

The second idea is that emotions are a crucial element of economic interactions. For example, people frequently reject lower than 50-50 amounts in the Ultimatum game. The rational game theoretic solution, suggested by game theory, is for the proposer to offer the smallest possible amount and for the responder to accept it. However, when humans play the game, the most frequent outcome is an even split.



Why do people reject offers that aren't even? People feel slighted by an unfair offer. Fairness is a fundamental mechanism in society that's we maintain social reputation by, and we are angered at offers that we perceive to be unfair. These negative emotions provoked by unfair treatment lead to sacrifice any financial gain in order to punish our partner.

This preference for fairness is not only seen in humans. Here is a video showing a capuchin monkey becoming enraged when another monkey is rewarded with a better prize for doing the same task. This monkey is sophisticated enough to recognise the unfairness of the situation and will accept the lesser pay. And it's not only this monkey but others as well, explained in the paper "Monkeys reject unequal pay."

III. Rational Emotions

The third idea, related to the second, is that emotions may themselves be influenced by rational considerations. In this sense, even extreme emotions such as hatred, anger, outrage etc., can be thought of as methods for coordinating interest groups in political bargaining games. The main article for this is The Political Economy of Hatred by Edward Glaeser.

Glaeser argues that many extreme emotions may in fact be manifestations of strategic concerns. In particular hatred may reflect bargaining objectives. It is a striking thought to consider that even the pronouncements of hate groups may simply mask an attempt to further their own economic interests.

Elster has discussed the possibility that emotions can be rationally set such that people can choose a set of emotion and behaviours to maximise their well-being. Even the behaviour of Buddhist monks can be viewed in this sense as an attempt to invest in training one's emotions to produce a high state of well-being. This clearly abstracts from much of the ethics and culture of such practices but does reveal a key question. Why can't we just set our emotion so that we never feel pain, grief, guilt, hatred and so on? What is the function of such emotions?

IV. Emotions and the future

The fourth main idea is that we are bad at predicting how our emotions will respond to changes in events, an area of study called affective forecasting, people's predictions about their future feelings. When college students imagine their graduation day, they might focus on feelings of joy and pride they are likely to experience. They are likely to overlook the fact that they are also likely to feel sadness about leaving friends/this chapter of their lives and apprehension about the future. Why does this matter? Many decisions we made are based on affective forecasts. Should we get married? Have children? Study economics or physics? Go to the cinema or stay in and watch a movie? Who should we vote for? All of these decisions are based on predictions of how we feel.

Affective forecasting is related to the focusing illusion. This is the idea that people tend to over-project their present affective states into the future, without correcting for future changes in circumstance or perspective. Kahnemann's paper argues that income does not make us happier even though we act on the basis that it does. The focusing illusion can be summarised by Kahnemann's quote "Nothing in life is as important as you think it is, while you are thinking about it."

Readings

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