

10/4 Prof. Mark Dean

title: Rational Choice Overload

abstract:

We present a collection of search theoretic explanations for 'choice overload', the phenomenon by which a default alternative may be selected more often in larger choice sets than smaller ones. Optimal behavior in a standard search model, in which the cost per item search is constant and the distribution of item quality is known, can never give rise to choice overload. However, simple modifications can lead to such an outcome - specifically (i) if the DM must learn about the distribution of item quality (ii) if search costs are increasing over time or (iii) if the DM decides upon the number of items to search in advance. Unlike existing 'contextual inference' models, our approach does not require the decision maker to make inferences based on the assumption that the choice set is being chosen by an optimizing firm. We run a set of laboratory experiments that allow us to differentiate between various search theoretic models, as well as psychological explanations for choice overload based on decision avoidance or regret.