

The transformative potential of decisions

Shahar Hechtlinger

Max Planck Institute for Human Development , Berlin, Germany

Christina Leuker

Max Planck Institute for Human Development, Berlin, Germany

Ralph Hertwig

Max Planck Institute for Human Development, Berlin, Germany

Abstract

People face consequential personal decisions throughout their lives. Immigrating to another country or separating from a life-partner are but two examples. How do individuals make such notoriously difficult decisions? Can they make them rationally? We posit that answering both these questions requires understanding a decisions transformative potential, according to which decisions range in (1) their perceived temporal impact (half-life), (2) the extent to which the decision maker can know whether a choice will generally make them better or worse off (valence uncertainty), and (3) the perceived likelihood of a decision to change the decision maker (personal change). We propose that under the conditions of incomplete information that decisions with high transformative potential inevitably entail, people may make them by recruiting their social and cultural environment and by relying on heuristics. These conditions also render bounded rationality principles (e.g., satisficing) a more plausible rationality benchmark than maximizing expected utilities.