From dual processes to multiple selves: Implications for economic behavior

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Abstract

This article presents a short review of dual-process and dual-system theories from social and cognitive psychology and comments on their relevance for research on economic behavior. We view dual-process theories as a theoretical scaffolding which helps structure and interpret experimental results and can deliver important insights on human behavior in economic contexts. Dual-process ideas and concepts have already started to percolate into economics, contributing to the behavioral turn and the incorporation of bounded rationality into economic theory. The most recent development in this direction is represented by multiple selves models, which we view as a promising first step. We conclude the article with a brief discussion of the remaining articles in the special issue.

1. Introduction

In spite of popular beliefs, mainstream economics has long accepted that human decision makers are not faultless optimizers with unbounded capabilities. The study of bounded rationality (going back at least to Simon, 1959; see also Alchian, 1950) has been at the core of many modern developments, as e.g. the rise of evolutionary game theory (see Weibull, 1995) or the study of behavioural rules in learning models (consider e.g. the literature started by Kandori, Mailath, & Rob, 1993, and Young, 1993). Insights from psychology have systematically filtered over the years and there have been repeated calls for a...
Theoretical principles

2.1. Dual-process models

When making decisions, human agents are frequently influenced by several judgmental processes. Some of them might deserve the adjective “rational”, if their prescriptions coincide with the behavioural pattern derived from a benchmark model of rationality as e.g. optimizing a pre-specified utility function after using all available information to build beliefs on any relevant uncertain events. Others might be low-level cognitive processes closer to the behavioural rules considered in the bounded rationality literature or the heuristics often studied in the literature on judgment and decision making. Dual-process models share the assumption that the processes influencing the human mind are of two broad kinds, which have been labelled differently by different authors.

The first type has been variously called “controlled” (Schneider & Shiffrin, 1977), “reflective” (Lieberman, 2003; Strack & Deutsch, 2004), or “rational” (Epstein, 1994). Processes of this type have been characterized as deliberative (partly) conscious, effortful, employing rule-based inferences, and are assumed to consume cognitive resources. For an economist, it is only natural to think of rational, slow, resource-consuming deliberations as those ascribed to the neoclassical homo oeconomicus.

The other type of decision processes has been called “automatic” (Schneider & Shiffrin, 1977), “impulsive” (Strack & Deutsch, 2004), “reflexive” (Lieberman, 2003), or “experiential” (Epstein, 1994). Processes in this category are described as fast, unconscious, effortless, and including reactions based on well-learned prior associations (automatized). Again, for an economist it is natural to think of boundedly rational rules of thumb, as those studied in evolutionary game theory or the theory of learning in games, and sometimes postulated in behavioural economics.

The theoretical underpinnings of the automatic-controlled or reflective-impulsive duality sketched above deliver a number of qualitative predictions on process characteristics and process interaction which have found a direct translation into experimental techniques in psychology, but have yet to be fully integrated into experimental economics. As far as the automaticity dimension is concerned, the first, obvious way to distinguish decision processes relies on the measurement of response times. One of the defining characteristics of automatic processes in the framework of dual-process theories is precisely that they are faster (see Kahneman, 2011); hence they should result in shorter response times.
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