Influencing Decisions:
When Do We Build Optimal Choice Architecture?

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Abstract
Everyone who decides how to present choices to others is a choice architect, with the power to potentially influence others decisions, and yet surprisingly little is known about choice architect behavior. We consider a theory of how individuals (“Choice Architects,” or CAs) use decision biases to build choice environments for other individuals (“Decision Makers,” or DMs). In the theory, CAs have sophisticated beliefs about the effects of DM biases on DM behavior, but CA decisions also reveal valence distortions (a CA bias towards choice environments with “positive” and “safe” options) and complexity distortions (a CA bias towards randomness).

We test this theory’s predictions in six experiments. In Experiments 1-3, we find that CA decisions are often optimal in their strategic use of the endowment effect, but often suboptimal in their strategic use of the default effect, reflection effect, and certainty effect. Additionally, CAs are willing to pay for the power to use biases for strategic influence, even when they have mispredicted the direction of the bias and are thus paying for the ability to reduce their own payoffs. In Experiments 4-6, we evaluate the effectiveness of three methods for improving CA decisions. In line with the theory, complexity distortions are significantly reduced when choice environments are simpler, and valence distortions completely vanish when individuals make incentivized predictions about DM behavior within a single choice environment.

Key Words: choice architecture; nudges; decision making; behavioral economics; metabias; strategic influence.