

New study shows passing mood can profoundly alter 'rational decisions'

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Could a passing mood influence your financial portfolio for decades to come? Can impulses you inherited from your cave-man ancestors influence your financial decisions in the modern world in ways that may have lifelong consequences?

In a word, yes.

Arizona State University researchers report new evidence that passing mood and deeply embedded human impulses can and do influence us as we make important [financial decisions](#). The new findings, just released [online](#) by the [American Psychological Association](#), suggest that our economic decisions change radically when either survival or reproduction is on our minds.

The old view of economic decision-making focuses on human beings as acting rational. In the last few years, [cognitive psychologists](#) have revolutionized economics by demonstrating that economic decisions are often irrational. One of the best-known examples of such irrationalities is the phenomenon of "loss aversion."

To a rational economist, \$100 is worth exactly \$100, whether it's in your pocket now or on the gambling table. But dozens of studies have demonstrated that the typical person places about twice as much psychological value on keeping the \$100 bill in their wallet as they do when they place it on winning another \$100.

New research re-examines economic decisions in an evolutionary light and suggests that our decision biases may not be so irrational at all. In a series of three studies to appear in the March 2012 issue of the [Journal of Personality and Social Psychology](#), a team of Arizona State University psychologists shows that loss aversion waxes and wanes in flexible ways, depending of whether or not the person is experiencing different fundamental motivational states, such as self-protection or looking for a mate.

The research was conducted by a team led by ASU professor Douglas Kenrick. He is joined by Jessica Li, an ASU doctoral student; Vlad Griskevicius, a marketing professor at the University of Minnesota; and Steven Neuberg, who, along with Kenrick, heads up ASU's Evolution and Social Cognition lab.

In the first study, research participants were asked how happy or unhappy it would make them to gain or lose \$100, or to experience a 30-percentile boost in their financial assets. As in previous research, losses typically loomed slightly larger than gains. But all that changed for participants who answered the questions in a mating frame of mind (after imagining themselves having a romantic encounter with someone they found highly attractive).

According to Li, the first author of the study: "For men in a mating frame of mind, loss aversion completely disappeared and they became more focused on wins than losses. For women, on the other hand, mating motivation led them to be even more loss averse, to focus less on possible gains and even more on the pain of loss.

From an evolutionary perspective this makes sense because reproductive decisions are inherently much more costly for females, who pay higher costs of pregnancy and nursing.

Other research by Kenrick and his colleagues has shown that women (but not men) prioritize a possible mate's relative position in the dominance hierarchy, which means "men need to be willing to take some chances to win mates," Kenrick said.

It's not that men and women always respond differently to psychological motives. When the researchers put participants in a self-protective frame of mind (by having them imagine being alone in a house on a dark night and hearing an intruder breaking in), both men and women became more loss averse (conservative) in their judgments.

"From an evolutionary perspective, loss aversion isn't always a good thing," Kenrick explained. "Worrying about losses could certainly have helped our ancestors deal with threats, but it would not have helped men win the mating game."

The new studies are part of a program of research testing ideas discussed in Kenrick's book: *Sex, Murder, and the Meaning of Life: A psychologist investigates how evolution, cognition and complexity are revolutionizing our view of human nature*. One of the key themes of this new view of human nature is that human decision-making manifests "Deep Rationality."

This evolutionary view of decision-making contrasts with the classic view of economic decision-making (of humans as eminently rational and self-serving) and with the more recent behavioral economic view (of humans as biased, irrational and self-defeating). Instead, Kenrick and his colleagues argue that our biases are rational at a deeper level - designed to maximize evolutionary success.

Long before the ancient Aegeans began stamping coins or the Maldivians started exchanging cowrie shells, our ancestors were making economic decisions - they were allocating their scarce resources in ways designed to maximize survival and reproduction. Natural selection has endowed modern humans with a psychology that encourages us to make decisions in ways that have consistently helped our genes survive, thrive and replicate.

"These new findings are controversial," Kenrick said, "because they contradict the assumption that [economic decisions](#) in the modern world are determined at the conscious level. Instead, it seems that biases our ancestors developed millions of years ago affect decisions we make today - in ways that influence our finances for years to come."

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Provided by Arizona State University

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