



The intrinsic complexity of collective choice a review of making better choices. design, decisions, and democracy

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BOOK REVIEW

The intrinsic complexity of collective choice a review of making better choices. design, decisions, and democracy, by Charles E. Phelps and Guru Madhavan, New York, NY, Oxford University Press, 2021, 152 pp., \$55.00 (hardback), ISBN 9780190871147, ISBN 9780190871161 (epub)

The key element structuring and sustaining social and economic relations is collective decision-making, i.e. the choices that groups (large or small) engage in to accommodate in the best way possible the desires, ambitions, and interests of the involved parties. The book by Charles E. Phelps and Guru Madhavan, *Making Better Choices. Design, Decisions, and Democracy* (Phelps & Madhavan, 2021) offers a systematic, comprehensive, and compelling assessment about collective decision-making. A special emphasis is placed on the complexity of the choice process, which is indissociable from the complex nature of the social and economic environments in which choices take place.

The authors of the book perceive their contribution as being in the confluence between two important branches of human thought. On the one hand, we have social choice analysis, which is concerned with how people choose from a finite and well-defined set of alternative courses of action. On the other hand, one should account for systems engineering, which may be helpful in designing ways to increase the effectiveness of the decision-making process. These two areas of knowledge are both relevant to understand and improve collective choice, but they seldom appear together to offer an integrated view on the subject. The avowed purpose of the book is to merge the two approaches, with the explicit goal of improving our understanding of how choices are made and how these choices might be enhanced.

By merging social choice with systems engineering, the book makes a fundamental claim: the rules that frame the voting process (i.e. the rules of discourse), and the voting rules themselves, are as important as the act of decision-making. Clearly, different rules may generate different results. One should not take as given that the conversion of the same individual preferences will always direct us to the same collective decision. On the contrary, the way in which the voting process is designed and how it is implemented becomes, in most circumstances, a crucial element in shaping the final outcome. The rules we create and how we apply them have a decisive impact on how we collectively choose.

One of the strongest points of *Making Better Choices* is the generous presentation of examples, throughout the text, to illustrate the relevance of the various steps involved in collective decision-making. Examples range from national and local elections to trivial choices made by a group of friends in choosing in which restaurant to dine. Other relevant and appealing examples include classification systems in sports events, wine tasting contests, the election of members of social clubs and professional groups, the definition of property rules by homeowners' associations, college admission processes, and the ranking of research proposals by government agencies.

Each of the above-mentioned settings has its own peculiar features and voting rules that fit one particular situation may be inadequate for others. Therefore, one of the main lessons one draws from *Making Better Choices* is that there is no universal method to take good decisions. Acceptable choice systems are contingent on a variety of factors, including who makes the decision, how many people are affected by it, and how important the decision is for their recipients. Furthermore, the selection of a voting procedure must account, as well, for the volume and complexity of the attributes that require processing.

The analysis of collective choice is a multifaceted task, involving many considerations on how to express preferences, on how to establish rules for voting, and on how to count votes. Throughout

the book, the authors elegantly approach the most meaningful of these considerations, providing a fruitful discussion that unfolds along a series of seven well written and easy to read chapters. Chapter 1 motivates the analysis by highlighting how complex and intricate collective choice can be; in chapter 2, potential anomalies and biases in choice are approached; chapter 3 contextualizes the process of decision-making; and chapter 4 proceeds with a thorough characterization of applicable decision rules. Chapter 5 reflects on strategic voting; chapter 6 explores a series of detailed examples; and chapter 7 concludes with a few remarks on the human factors that may influence collective decision-making.

With no intention of being fully comprehensive, the remainder of this review highlights some of the most relevant issues pertaining to the process of choice that are characterized throughout the book's seven chapters.

(a) **How biased are choices?** (Chapter 2). Prior to the collective decision, one must reflect on individual choices. After all, people can only expect the social choice to somehow translate their true preferences, if these genuinely reflect what they want as individuals. Literature on behavioral economics (e.g. Kahneman, 2003; Thaler, 2000, 2016) typically presents a large list of behavioral biases or psychological anomalies that imply a departure of actual choices from the rationality benchmark. Among these we encounter phenomena as anchoring, framing, availability, *status quo* bias, or representativeness. These and other biases remind us that choice is all about perspective: how available options are presented to us is a vital factor in determining how we choose.

In the view presented in the book, 'neutral' perspectives (purged of cognitive anomalies) might be pursued by applying systems engineering. The argument is that, when faced with multiple factors and influences, people are not particularly good in processing information and making the required mental computation, which potentiates biased choices. The application of multi-criteria decision models, which are of common use in systems engineering, might be of great help, in assessing and comparing the alternative options. To be rational, people frequently need the assistance of analytical and computational tools.

(b) **Where do rules come from?** (Chapter 3). Collective decision-making requires rules. Rules are needed to specify the goals of the election, to choose who conducts the voting process, to define who will vote, to clarify what the vote options are, and to establish which and how many steps the voting process requires until a winner (person or proposal) is selected. Rules are not always explicit and formal. In many social occasions and contexts, collective choices are made following uncodified practices and customs. In other cases, rules need to be written, as in the case of politics (rules emerge under the form of the country's constitution and other laws), and organizational decisions (bylaws shape how individual preferences are combined and translated into corporate choices).

In organizational contexts (and, often, also in politics), the definition of rules is not always transparent. In fact, Phelps and Madhavan call them the 'black box' of organizational decision-making. The issue is that if we do not know what the rules of the game are, then it is probable that we will become suspicious about the outcome of the selection process. Transparency in every step of the decision process is essential to guarantee that those affected by the decision accept it, even when it goes against their will or their preferences.

What *Making Better Choices* teaches us is that sound decision environments should avoid concentrating the formulation and design of bylaws in the hands of a few, and that the definition of these bylaws should be as clear and transparent as possible. Most of the decisions that we take in organizations are not simple yes-no choices, thus the need for full transparency and wide participation in constructing decision environments. Failing to comply with this goal transforms the decision process

into a biased process, often benefitting those who, in the first place, had the privilege of creating and designing the rules.

(c) **Which criteria should guide voting?** (Chapter 4). Once the rules of the game are set, players make their choices. A fundamental rule is precisely the one that specifies how to vote and how votes are counted. This is not innocuous; on the contrary, most of the times it determines the final outcome. In *Making Better Choices*, a comprehensive sample of voting modalities and vote counting methods is listed. Individuals may vote in one candidate from a list, they may rank the candidates in a descending or ascending order, or they can even grade the different candidates given some alphanumeric scale or other type of scoring mechanism (e.g. involving the ascription of stars or dots).

Attached to the way people vote, is the vote counting criteria. In this respect, the authors enumerate a series of methods (e.g. Condorcet voting, Borda count, Nanson rule, and a few more) that combine a series of distinct preferences into a single collective choice. A simple example (involving the selection of a restaurant by a group of 19 friends) illustrates how the same revealed individual preferences lead to distinct group choices under each of the characterized choice rules. Although the rules are relatively close in spirit, slight idiosyncrasies of each rule are all that it takes to arrive to a situation where the most relevant factor influencing the choice are not the individual choices *per se* but how individual choices are aggregated.

In fact, the essence of the discussion resides precisely in the notion of aggregate outcome. Economists have a long tradition in studying the aggregation of preferences (the seminal work is Arrow, 1950), and they are fully aware of the difficulty in establishing criteria for social choices when preferences are not necessarily transitive across members in society (what leads us to the well-known Condorcet paradox). Hence, one should recognize that there are no perfect aggregation methods, i.e. there are no perfect methods to vote and to count votes. The underlying rules should be established in the way that best serve the purpose of each specific electoral exercise.

(d) **Is strategic voting relevant?** (Chapter 5). When voting, individuals do not necessarily reveal their true preferences. Strategic or insincere voting may occur for a variety of reasons, being the most obvious the selection of an acceptable option with a good chance to win, although this might not correspond to the most-favored candidate. For strategic voting to be a relevant issue, individuals must have some sense of what the most likely choice of the other voters is. In some cases, strategic voting can be avoided, but in others it is an inevitability (as in the case of national elections for the government or for the parliament).

Phelps and Madhavan recognize the potential perils of insincere voting and offer some advice to avoid it. Trying to limit conflicts of interests, designing effective voting procedures that mitigate framing effects, or neutralizing the role of facilitators or influencers, are possible paths to follow. Nevertheless, one should note that strategic voting is not necessarily something bad. In fact, it is many times the practical way to arrive to a final decision, and thus it may not be a relevant concern for those worried about the generation of better choices.

(e) **How relevant are human factors?** (Chapter 7). The last chapter of *Making Better Choices* concentrates on the factors that stimulate or restrict people from voting when they are asked to do so. Relevant questions include: how expressive are the ballots? (i.e. what and how much can we say when expressing our preference); how easy is it to vote? (i.e. how much relevant and/or irrelevant information the ballot contains); how easy is it to understand what is at stake? (i.e. are people fully aware of the consequences of their choices); how enjoyable is the voting experience? (this is partly related with all the above interrogations).

Voting methods should take into consideration human factors. However, these are not surely the only relevant criterion. The least expressive voting method is the one we have in local and national elections, in which we pick a desired winner from a relatively large list of candidates. In such cases, we cannot rank choices, we cannot attribute grades, and we cannot express in any other way our opinion. But the job gets done, i.e. the purpose of the election is fulfilled, in the sense that our representatives are elected.

Again, the conclusion is that there are no magical formulas when it comes to social choice; context effectively and significantly matters. As the authors aptly summarize it: ‘(...) complex problems have multiple attributes, and each attribute can be perceived and valued differently. (...) there is no single voting system that is the best choice for every situation.’ (Phelps & Madhavan, 2021, p. 127).


Epilogue. Phelps and Madhavan’s book lives up to the expectations it creates. It promises to reveal how to make better choices, and it delivers what is promised. For a wide variety of real-life situations, brilliantly illustrated with all kinds of examples, the book characterizes choice procedures, highlights the relevance of rules and of the process to establish them, and, ultimately, offers the reader a set of important tools to design and evaluate the procedures conducive to collective choices.

That said, we should go back to the start, to the first chapter of the book, where collective choice is associated with the complexity of social interactions. Typically, human beings have little or no control over the environment; they are constrained with respect to the skills and endowments they possess, the information they hold, and the ability they have to influence others. Hence, an important part of our lives must surely consist in making compromises, in the form of arrangements that produce collective choices. The choices should express the will of the majority; however, they should do so without disregarding the needs and desires of all of those who must comply with the selected courses of action. Making better choices also signifies avoiding discrimination and leaving no woman or man behind.

Fortunately, on many occasions and settings (though, one might argue, not as many as it would be desirable), there is no single person or authority dictating his or her will to the collective. On the contrary, the way that we have to cope with the complex world is to come together and decide how to make joint decisions. This is often hard and painful to do, but it is also very rewarding. It is great to be part of the decision-making process, even when the outcome of the process is not the one that we would prefer in the first place.

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