Behavioral economics has stimulated new thinking about economics as a behavioral science. Nobel Prizes in Economics for behavioral economist Richard Thaler (2017) and psychologist Daniel Kahneman along with experimental economist Vernon Smith (2002) suggest its importance, though published wine/economics research contains little from the field.

This paper critiques contributions from behavioral economics and neuroscience as challenges to the conventional model of wine consumer decisionmaking. The consumer model that emerges from incorporating the biases and heuristics featured prominently in Kahneman’s work veers from the traditional economic model. Analysis of the mental process of tasting wine raises questions about the reliability of others’ experiences (esp. experts) in informing our judgement of wine quality.

**Homo Economicus and Kahneman’s Premise**

Standard consumer theory involves utility maximization subject to constraints (prices, purchasing power). I teach this with a purchase-tracking exercise “purchase analysis” which assumes information exogenous to the consumer—a budget, a set of prices—and preferences reflected in diminishing values of marginal utility (MU). A critical assumption is that knowing MU is straightforward.

How might this model go astray? In contrast to the economist’s standard model, Kahneman’s arguments draw upon largely experimental observations of behavior that deviate from expectations from the traditional model. He emphasizes the distinction between decision utility (DU) and experience utility (XU)—the hedonic experience of the moment—and the critical role of imperfect or distorted memory in the former which is the one governing our decisions and formation of WTP.

**Key Elements: Biases and Heuristics**

The discussion relies upon an elaboration of the traditional rational choice model to allow for the phenomena of (a) biases and (b) heuristics. *Biases* are, in effect, miscalculations that systematically over- or under-value the marginal costs or benefits of a decision—the conventional criteria of rational choice. In this context, part of the discussion is accuracy in calculation. For example, “framing” can affect consumer reactions to buying opportunities (e.g., the order of presentation of wines on a list or in a shop). Consumer theory behind WTP disregards such ordering, but studies of framing suggest otherwise: one cannot absorb all information simultaneously so it is ordered, and ordering may affect outcomes.

With anchoring, information presented at the time of decision (or more prominently) has an inordinate influence upon the decision. Evidence from wine auctions suggests that pre-sale estimates may have an effect upon winning bids independent of the characteristics of a given lot (Marks/Welsch 2015). Attention-getting “shelf talkers” or bottle neck tags containing expert ratings or comments might act as anchors and bias even a fully informed consumers’ WTP and purchasing decisions.

Kahneman illustrates the endowment bias (e.g., Thaler 1980)—difference in valuation affected by ownership—by describing an economist wine collector’s significant difference in valuation between his WTP for a bottle in his collection and the lowest price for which he would sell it.
Given the widespread interest in the relationship between expert ratings and wine prices, the phenomenon of “Meehl patterns” challenges the value of expert opinion in conveying knowledge of fine wine. Relatively simple statistical algorithms consistently dominate expert opinions and predictions in a variety of “low-validity” environments where accurate prediction is difficult, including fine wine valuation. For example, Kahneman contrasts expert ratings with the alternative of statistical models predicting Bordeaux prices.

**Heuristics** are easier questions substituted for more difficult ones. A seemingly rational strategy for addressing a complex problem is to substitute a simpler but related one. Difficulties arise when the resulting substitution avoids the complex problem. For example, the empirical implementation of the investigation of comparative statics often requires using less than ideal data for hypothesis testing (e.g., using asking prices observed in the market or prices from some unusual market such as a formal auction). Substituting data that are easier to find is a form of asking an easier question. Arguably, such substitution fails to address the original question or results in calculations or estimates that are not exactly what one sought.

The variety of documented biases and heuristics illustrates the challenge. The Cognitive Bias Codex presents 188 such as those above. Numerous heuristics include affect, mood, “fast/frugal”, and availability. All of these persistent patterns of decisionmaking prompt Kahneman to distinguish between “Humans” and “Econs”.

**Fast and Slow Thinking**

The discussion considers Kahneman’s two types of thinking—System 1 (“fast” or S1) and System 2 (“slow” or S2)—and their application to wine consumer behavior:

- S1 “operates automatically and quickly...little or no effort...no sense of voluntary control”;
- S2 “allocates attention to the effortful mental activities that demand it, including complex computations...often associated with the subjective experience of agency [the sense of freedom to act for oneself, not on behalf of others], choice, and concentration.” (pp. 20-1)

These provide a broad framework for describing biases and heuristics. The categories of consumers found in the Constellation Brands Genome Project (Veseth 2008) show strong similarities with these two thought patterns. Traditionalists and Satisfied Sippers are relatively brand loyal, thinking little about unfamiliar brands. The Enthusiast and the Savvy Shopper are students of the market and less impulsive.

Part of this discussion is the different roles that expert opinion might play in the two ways of thinking—perhaps misleading in S1, perhaps more useful for S2 and thereby helpful indirectly in improving S1 thinking.

**An Illustration**

Lewis’s recent book on Kahneman (2017) illustrates the model of thinking with the example of professional basketball scouts. Here are some problems with key steps in scouting professional athletes where one can see applications to the evaluation of wine:

- Forming a first impression of a player and then selecting evidence that confirms that impression (confirmation bias) (p. 40): Once we have committed to the quality of a given example and, in effect, predicted future success, then we resist giving appropriate weight to evidence that is inconsistent with our initial evaluation.
• Physical resemblance to past successful players (p. 41): This tendency reflects a form of “scientific method” heuristic: all the key variables yielding past success are measurable and will yield future success. We do this with wine characteristics.

• Arriving at certainty about an inherently uncertain thing (related to belief bias) (p. 42): Accepting expert opinion as reliable when one cannot judge on one’s own (“If they’re experts, they know more than I.”)

• Once an outcome occurs, decide that it was more predictable than it actually was (hindsight bias) (p. 45): Predicting the quality of a wine accurately, developing an exaggerated sense of own ability to judge wine.

Conclusion
The discussion addresses the significant roles of language and memory. The paper includes discussion of two related treatises: (1) neuroscientist Gordon Shepherd’s work on the process by which the brain senses wine flavors (Neuroenology (2016)) and its relevance to differences in individual tasting that raises questions about the value of expert ratings and tasting notes and the ability of one person to know a wine based upon another’s experience with it; and Jamie Goode’s I Taste Red (2016) which grapples with our desire for certainty (scores) challenged by our differences in culture, language, and our ignorance of the operation of memory.

The discussion closes with an assessment of the value of these disparate approaches to cognitive processes to our understanding of wine consumer decisions and the value of expert opinion in affecting them.