



## Predictably Irrational: The Hidden Forces That Shape Our Decisions

*Dan Ariely*

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Why do our headaches persist after we take a one-cent aspirin but disappear when we take a fifty-cent aspirin?

Why do we splurge on a lavish meal but cut coupons to save twenty-five cents on a can of soup?

When it comes to making decisions in our lives, we think we're making smart, rational choices. But are we?

In this newly revised and expanded edition of the groundbreaking *New York Times* bestseller, Dan Ariely refutes the common assumption that we behave in fundamentally rational ways. From drinking coffee to losing weight, from buying a car to choosing a romantic partner, we consistently overpay, underestimate, and procrastinate. Yet these misguided behaviors are neither random nor senseless. They're systematic and predictable—making us predictably irrational.

## Predictably Irrational: The Hidden Forces That Shape Our Decisions Details

Date : Published April 27th 2010 by Harper Perennial (first published February 19th 2007)

ISBN : 9780061353246

Author : Dan Ariely

Format : Paperback 349 pages

Genre : Nonfiction, Psychology, Economics, Business, Science



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## From Reader Review Predictably Irrational: The Hidden Forces That Shape Our Decisions for online ebook

### Darin says

Ariely is a good writer whose book catches onto the *Freakonomics* craze by taking a look at times when people make different decisions that typical "laissez faire" economic theories would expect. His book is a fairly easy read and does include some surprising results through social-science experimentation.

However, the text is not without its flaws. For instance, some of the breathlessly-reported "surprising" results aren't all that surprising or even controversial. For instance, the effect of a "free" item on consumer decision-making is vastly overstated as irrational. This idea is old-hat to most and doesn't make much of a point. More troubling, however, is the unstated difference between this brand of social science and pure economics, and the author states such at the end of the text: the ultimate goal of such discovery is to alter and market certain things that are "beneficial" to most people into "free lunches" which are irresistible to the average Joe.

Here is where pure economics gets it right: there is no such thing as a "free lunch", no matter what social economics claims. The buck always stops somewhere. If people are going to make "better" decisions about things, someone somewhere is going to decide what "better" is. And if someone else is deciding the terms of this "better", it no longer falls on the individual to do so.

It is true that human beings cannot always be protected from themselves. If this is true, then this is tenfold true for random human beings (usually via government nannyism) who force "better" upon all people, rational or otherwise. Ariely never tries to face this dilemma, and it weakens the conclusion of the book considerably. This is an entertaining read, and worth your time as a second or third go at *Freakonomics*-like thought, but it doesn't hold a candle to the original.

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### Pouting Always says

Honestly all the business books that talk about psychological research or behavioral economics talk about the same things. I haven't even read *Thinking Fast and Slow* by Daniel Kahneman but all these books literally rehash it again and again so I probably wouldn't even get anything out of reading it now. That said this one's much better written than most of the other books I've read and so if you haven't read anything else about behavioral economics or that way we make decisions this is a good choice. If you have read other books on those things though I'd skip this one because it doesn't add anything new.

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### Petra X says

*"I asked them why when they persecute men, for religion or colour it was seen by the world as oppression and when they persecute women, it was dismissed as tradition." Emer Martin*

This book is generally brilliant if you ignore the misogyny. It is a book written by a man about a man's world for men. The "Our" in the title does not include half the world.

The misogyny, the putting down of fat women, ugly ones, old ones in this often otherwise insightful and perceptive book is making me groan. The author is trying to prove something we all know, that we (he uses 'we' and 'our' to sound inclusive, but he only means men really) do not make good decisions when sexually aroused. To that end he sets up an experiment where the men, MIT students, will have to answer a set of questions 'sober' and while they are wanking to pictures of buxom young women flashed on their computers.

The questions include, Would you want to have sex with a really fat woman? An ugly one? A woman over 50? All the undesirable women.

All these women are put down as sexual objects these really clever guys wouldn't want to have sex with unless they were so aroused by any stimuli they didn't care. That their general powers of discernment and decision-making ie. we don't screw fat, ugly or old women, would go by the board because at that stage they'd screw *anything*. Also, that in such an aroused state, those clever MIT men, future leaders of technology and business, perhaps even footballers) those men might deliberately get a woman drunk and/or persist in pushy or downright aggressive sexual advances even after she had said 'no' and they wouldn't give a monkeys about using a condom either.

(Part of me wonders how those men felt who had girlfriends who didn't look like supermodels).

Personally I think he wrote up the experiment so as he could begin with describing the visual of a cling-film (saran wrap to Americans) wrapped computer (to protect it from splashes of semen) flashing porn and questions and a man 'furiously wanking with his left hand' while propped up on the bed.

Ok, so I'm predictably irrational about books that slag off my half the human race. You know that I will pick up the misogyny and be compelled to write about it.

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### **Carol. says**

Yet another book I'm recommending to Goodreads staff. I will write up a long review when it's done, but I think this is worth chewing on:

According to the author of *Predictably Irrational*, we live simultaneously in the world of social norms and the world of market norms. Social norms are the exchanges and requests we make as part of personal connections. Market norms are the dollar-defined exchanges of dollars, wages, rents, prices. Here's where it gets interesting:

"In the last few decades, companies have tried to market themselves as social companions--that is, they'd like us to think that they and we are family, or at least are friends that live on the same cul-de-sac. "Like a good neighbor, State Farm is there" is one familiar slogan..."

Whoever started the movement to treat customers socially had a great idea. If customers and a company are family, then the company gets several benefits. Loyalty is paramount. Minor infractions--screwing up your bill and even imposing a modest hike in your insurance rates--are accommodated. Relationships of course

have ups and downs, but overall they're a pretty good thing.

But here's what I find strange: although companies have poured billions of dollars into marketing and advertising to create social relationships--or at least an impression of social relationships--they don't seem to understand the nature of the social relationship, and in particular, its risks.

For example, what happens when a customer's check bounces? If the relationship is based on market norms, the bank charges a fee and the customer shakes it off. Business is business... In a social relationship, however, a hefty late fee--rather than a friendly call from the manager or an automatic fee waver--is not only a relationship-killer; it's a stab in the back. Consumers will take personal offense. They'll leave the bank angry and spend hours complaining to their friends about this awful bank. After all, this was a relationship framed as a social exchange."

No parallels to Goodreads here. Say you have a site that framed itself in social terms. Then when you start applying business decisions to the social sphere, you get surprised that those docile consumers who devoted hours and years to database building (for social rewards) get pissed off and leave to a new site. No parallels at all.

Full review and analysis at:  
<http://clsiewert.wordpress.com/2013/1...>

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### **Trevor says**

It is important that you move this one up your list of books that you have to read. This is a particularly great book. My dear friend Graham recommended I read this book. He has recommended four books to me – and the only one I couldn't finish was “My Cousin, My Gastroenterologist: A novel” by Mark Leyler – but he did recommend, “The Tetherballs of Bougainville” also by Leyler and that is still one of the most remarkable books I've ever read. I haven't written a review of that book, but where the hell would I start?

When I'm reading books I often think – you know, I would like to re-write this. I would cut out a lot of the fluff and perhaps change the voice a bit, add some cellos, perhaps even a bassoon (there is nothing that can't be improved with some cellos and a bassoon). But not this book. I really, really liked this book.

This is a companion to Freakonomics – except I liked this one even more. Which reminds me that I must look how many stars I gave that one so that I can give this one more... If I am going to be irrational I might as well work at being consistently irrational.

Which is the point of this book. Economic Rationalism – otherwise known as the nonsense that got us into this mess – holds that the world is full of rational economic units and you are just one of those units. We always know what is good for us, we are free to choose what we need and we invariably make the choices that reflect our best interests. The absurdity of this view is being played out as I type with the world financial markets in meltdown and with the new Prime Minister of Japan saying today – “Honestly, this for us is beyond our imagination. We have huge fears going ahead,” Which I believe is Japanese for, “The fundamentals are all in place. We have nothing to worry about.”

Like Freakonomics this presents a series of experiments to show how we behave under various circumstances in ways that are both less than rational and yet perfectly predictable. I'm going to have to spoil bits of this book, but just to show you how wonderful it is and why you need to run to your local purvayour of tantalising texts to obtain your copy of this fine book.

I guess one could group a lot of the experiments in this book under the general title of Placebo Effect. This makes two books in a row in which the Placebo Effect has been given a starring role and I'm, quite frankly, in seventh heaven. One of the questions this book seeks to answer is whether social stereotypes have an impact on a person's performance. **THIS IS THE SPOILER – SO LOOK AWAY IF YOU MUST.**

What do we know? Well, we definitely know that all Asians are brilliant at mathematics. This is as true as the fact that anyone with an English accent is a mass murderer – or at least, that is definitely true in that strange world that is American movies and IRA propaganda. The other thing you know about mathematics is that all women are hopelessly, pathetically, mathematically inept. What is it about that Y chromosome?

You might have noticed that the particular Venn Diagram I am describing here has a rather interesting intersection – that is, woman who have a preference for thinking of themselves as Asian. Let's see if we can't mess around with the minds of this particular sub-set of humanity.

We are going to give them a bit of a maths test in a minute – but before we do, let's 'prime' them. Let's ask half of them some questions related to them being Asian (not too obvious, let's just ask questions like how many languages do you speak, what is your migrant experience – you know, vague enough so we aren't directly saying "THINK ASIAN, THINK ASIAN" at them, but actually, when you think about it a little bit, that is exactly what we are doing). The other half we will ask questions that make them think about themselves being female – when was the last time you bought Cosmo or 'Are those really your nails?'

Anyway, then you give them the maths test. And guess what? The Asians who have been primed to think of themselves as women did worse on the test than the women who were primed to think of themselves as Asians.

When I hear things like that a shiver runs down my spine. I know I have learnt something incredibly important and something I'm going to have to think about for days and days and weeks. And this book is over-flowing with exactly that kind of idea. The sort of thing that makes you go – shit, who'd have thought?

I mean, which other book have you read lately that asks a MIT student if he would be willing to have sex with a sheep while he is masturbating to images of naked women displayed on a Mac laptop covered in Glad Wrap? Actually, don't answer that.

The stuff in this book about stealing and its relationship to money is so interesting I can only just stop myself not telling you about it. We used to have a President of the Liberal Party (don't be confused by the name, the Liberals here are as far right as the Republicans in the US) called John Elliot who basically stole – never tested in court (but then, he was rich and politically well connected) \$66 million and was released on a technicality. Yet another of our Corporate Magnates, Richard Pratt, recently was able to steal \$300 million from the Australian people and only had to repay \$36 million. This time his crime was tested in court, but he is still seen as some sort of corporate hero here, rather than the thief that he is. How is this possible? Well, this book will help you understand and perhaps even help you see what we can do about these abominations.

I loved this book. It is a romp and the guy telling the stories is just the nicest person to be around while he chats away to you. Okay, sometimes I got a little annoyed with the "You'll never guess what happened" –

style – but this was such a minor criticism I feel petty bringing it up.

A large part of what I do in life involves negotiating stuff – actually, that is also true of you too, it is just that the negotiations I'm involved in are more up front than the ones you probably do day by day. As much as I don't like to admit this, this book taught me things about negotiating that I ought to have known before. Not since *Getting to Yes* have I read a book quite as worthwhile or one that made me re-think stuff I do in quite the same way. I hope to be able to say in six months time that I'm still considering the implications of some of the ideas in this book – if I'm not, then more is the pity for me.

You've been told. What the hell are you waiting for?

Oh, except you Tina – you are the only person in the world I wouldn't recommend buy this book. When was your birthday again?

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## **Kathrynn says**

If I had to describe *Predictably Irrational* using two words they would be "thought provoking." The author is a professor who was injured in an explosion in Israel. He suffered severe burns and 5 years of therapy. He used this "down time" to ponder the why's and how come's of life. Using many experiments he (and others) tested the moral aptitude and other aspects of human behavior.

Each chapter has several experiments that pertain to a topic.

### **Chapter 1: The Truth about Relativity: Why Everything is Relative--Even When It Shouldn't Be**

The author uses an example of shopping for a house in another part of the United States. He says, people accustomed to their own housing market set a mental "anchor" and expect to pay a similar price for a home elsewhere. Relativity. However, if a person were to rent a home in their new location, they--eventually--adapt to the higher prices and will not be so sticker shocked.

### **Chapter 2: The Fallacy of Supply and Demand: Why the Price of Pearls--and Everything Else--Is Up in the Air**

Interesting, but true. The author uses black pearls as an example. When black pearls first came out businesses couldn't sell them. Had to market them by placing them in fine jewelry stores surrounded by diamonds and emeralds, place a high price on them, then people wanted them. He calls this "arbitrary coherence." Talked about how initial prices are arbitrary and can be influenced. So true!

I thought it was interesting the way the author talked about stores who want to sell a certain, say t.v. It may not be the best that they have, but that is their target sell. They use three t.v.s, one very expensive, one middle of the road and one fairly inexpensive to test our mettle. Most will choose the middle of the road and that was the overall goal of the store.

### **Chapter 3: The Cost of Zero Cost: Why We Often Pay Too Much When We Pay Nothing**

Interesting. We all tend to have an idea of how much we should earn or how much a particular service should

cost. The author calls this an "anchor." There was a master martial art instructor that gave free lessons. When the students asked to pay him, he told them he did it for free because they could not afford him if he charged.

Another example was AARP asked a group of lawyers if they would be willing to provide legal services to some of their elderly members for \$30 p/hour in lieu of their usual rate of \$200 p/hour. The lawyers said, no. But when they were asked if they would do this service for free, they said yes.

Why? Because they had it set in their minds what they were worth. Anchor.

#### **Chapter 4: The Cost of Social Norms: Why We Are Happy to Do Things, but Not When We are Paid to Do Them**

This chapter dealt with social norms and market norms and what happens when they collide. An example was a large family Thanksgiving dinner and a guest decided to pay the hostess \$300 for the meal, she was offended. Why? Because he used a market norm (\$) to pay for a social norm. When a bottle of wine would have been considered very gracious.

Another example was if you ask a friend to help you move. They do it for free. But if you have the friend help you alongside a moving company that you are paying. That's a no-no.

#### **Chapter 5: The Influence of Arousal: Why Hot Is Much Hotter Than We Realize**

Well, I'm going to sum this up by saying that men (they didn't use women because men could become aroused faster) that were masturbating were more likely to accept or do things (sexually) that they wouldn't consider in a calm(er) state of mind. Examples were: wearing condom, three somes, rape, etc.

Little note that the author made a good point about the abstinence vs protection debate. Teens and people WILL not think clearly in a heightened state and thus do things they would not have done otherwise.

#### **Chapter 6: The Problem of Procrastination and Self-Control**

He taught classes and each class he told the students they had to submit 4 papers. One class got to decide their own due dates. They could select the last day of class, because that's when he would start grading them. They selected incremental dates. Another class he told to turn in 4 papers by the last day of class. They did the worst. Obviously they waited until the end to pull off those papers.

Showed that we need to set limits to achieve goals. Whether dieting, saving, etc.

#### **Chapter 7: The High Price of Ownership: Why We Overvalue What We Have**

Self-Explanatory

#### **Chapter 8: Keeping Doors Open: Why Options Distract Us from Our Main Objective**

Yikes! People hanging on to old loves, just in case, but dating new people. Several experiments that showed how we like to keep our options open in all aspects of our lives.

#### **Chapter 9: The Effect of Expectations: Why the Mind Gets What It Expects**

Talks about how previously held impressions can cloud our point of view. Did not care for the football analogy! We will pay more for the same coffee if served in a nice atmosphere.

Interesting that he mentions how advertising a product can build a reputation for the product; thus, we are expected to like it better.

I disagree. Books come to mind first. Movies second. Many times, movies the critics ripped apart, I enjoyed.

### **Chapter 10: The Power of Price: Why a 50-Cent Aspirin Can Do What a Penny Aspirin Can't**

We expect the name brand product to work better than generic or store brand.

### **Chapter 11: The Context of Our Character: Why We Are Dishonest, and What We Can Do About It**

Oaths of office from white collar professions and how they have degraded and why. Congress, lobbying, doctors accepting "incentives" to prescribe drugs. Interesting.

### **Chapter 12: The Context of Our Character (part 2): Why Dealing with Cash Makes Us More Honest**

We tend to be willing to steal a pen from our place of employment, but not money from the petty cash to go buy a pen. Talked about the recent "police blotter" newspapers with business scandals.

### **Chapter 13: Beer and Free Lunches: What Is Behavioral Economics, and Where Are the Free Lunches?**

Overall, I enjoyed this book. Felt the author spent too much time explaining in too much detail his experiments, though. Could have been summed up faster. He tended the ramble. Sorry. However, the ideas presented were interesting.

Did not agree with the author's idea to help us curb our spending habits, though. He suggests we agree to spend x amount on certain things p/month and when the debit/credit card shows that x amount is exceeded there would be consequences. No wonder the bank never called him back.

Liked his idea to help with our health care. He felt doctors should provide incentives to health prevention. For instance, have a patient submit a \$100 or \$200 deposit for a cholesterol screening that they get back when they make the appointment. Interesting because prevention can be a major key in cutting health costs.

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### **Amir Tesla says**

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### **Verycleanteeth says**

Ch1:

Explores the ability of a decoy option to determine outcomes.  
(The economist subscription, travel to rome or france w/free breakfast)

Ch2:

Our first experience becomes our anchor point that future instances are pegged to and rebound towards like a rubber band.

Anchor points are hard to change, but new anchor points can be created wholecloth by giving people a new experience (starbucks vs. dunkin donuts)

Ch3:

The power of FREE! to disguise the actual cost we pay. The difference between 0 and 1 is just as large as the gap between 9 and 10, but it feels much more significant. We might drive out of our way to get a \$15 meal for free, but we won't make that same drive to save \$15 on a \$500 coat.

Ch4:

Social norms vs. Market norms. People will do a good job for free, or for a good salary, but not for a lousy salary. Living a life based on social norms can be more fulfilling.

Ch5: The influence of arousal. When we are calm and rational we fail to be capable of predicting how we will act when we are instead hot and emotional. Dr. Jekyll may imagine when the time comes he will be able to control his Mr. Hyde, but perhaps it would be better to plan ahead for the irrational emotional state (having a condom on hand for instance).

Ch6: Procrastination & Self Control. Use the power of precommitment to reign in your future self. In a classroom setting students do better when given explicit due dates for their assignments (or even when they choose them themselves) than if they can put it all off to the end of the semester.

Ch7: The high price of ownership. We value things more once we own them than before. This is related to our intrinsic loss aversion.

ex: Final Four ticket holders valued their tickets in the thousands, while potential buyers only considered paying \$100-\$200, even though they were pulled from the same original pull.

This idea of ownership and loss aversion also applies to ideas. Once we learn a particular "fact" about economics, for example, we are not prone to let go of it even if it is shown to be wrong.

Ch8: Keeping Doors Open

If we have too many options available, we may delay or be inactive which can lead to greater losses than if we had just chosen the "weaker" of our options. The differences between our choices are often negligible and we don't take into account the cost of not deciding. It is vital to begin shutting doors when we are overwhelmed with choice.

Ch9: The effect of expectations

So much of what we like or dislike is based on preconceived notions. If we want something mundane to taste exciting, throw an "exotic" ingredient into the description. Our expectations based on previous life experience color pretty much everything we come into contact with.

(Beer with vinegar in it: If you're told ahead of time, it was not liked at all. If told after, it was enjoyed much more.

Asian women do better on math tests if they are primed with questions about their race than if primed with questions about their gender

)

## Ch10: The Power of Price

Higher priced pain medication works better than cheap pain medication. The effect goes beyond pain medication as well.

Also, more things should be placebo tested.

## CH11: The Context of our Character pt1

People will cheat a little when given the chance. The amount they cheat will not necessarily increase as the chance of getting caught decreases. If people are reminded of the idea of honesty through an ethics code or something before a test they do not cheat.

## CH12: The Context of our Character pt2

We adhere to a certain level of honesty when it comes to cash. But nonmonetary abstractions can make us dishonest cheats. We may not take \$1 sitting on top of someone's desk, but many will take one of their cokes from the breakroom fridge with few qualms. We just view money differently.

This has huge implications when you think of how business' use nonmonetary abstractions (think frequent flyer miles and the crazy fiscal abstractions on wall street)

## CH13: Beer and Free lunches

behavioral economics takes into account human irrationality while standard economics assumes humans maximize. It assumes people are rational actors maximizing their happiness and costs in accordance with their preferences.

The irrationalities illustrated in this book don't mean we are stupid or weak minded. It's like a visual puzzle. You may KNOW that image A is the same size as image B, but you can't deny image B LOOKS bigger.

We should take irrationalities into account and PLAN for them.

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## **Caroline says**

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Everything is r

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## Riku Sayuj says

Written in the tried-and-tested and bestselling tradition of the Malcolm Gladwell books and the Freconomics clones, Dan Ariely's book too is an entertaining and counter-intuitive look at the world around us.

While I am getting more and more inured to this way of analysis of behavioral economics and psychology, these kinds of books are still hard to resist - that is because they do, no matter if they have now become an industry doling out similar books by the dozens, still stretch our perspectives about the things we normally take for granted or think unworthy of a second thought. In that sense then, this book was "unputdownable" and "highly instructive".

One of my favorite passages from the book is as follows -

"I suspect that one answer lies in the realm of social norms. As we learned in our experiments, cash will take you only so far—social norms are the forces that can make a difference in the long run. Instead of focusing the attention of the teachers, parents, and kids on test scores, salaries, and competitions, it might be better to instill in all of us a sense of purpose, mission, and pride in education. To do this we certainly can't take the path of market norms. The Beatles proclaimed some time ago that you "Can't Buy Me Love" and this also applies to the love of learning—you can't buy it; and if you try, you might chase it away.

So how can we improve the educational system? We should probably first rethink school curricula, and link them in more obvious ways to social goals (elimination of poverty and crime, elevation of human rights, etc.), technological goals (boosting energy conservation, space exploration, nanotechnology, etc.), and medical goals (cures for cancer, diabetes, obesity, etc.) that we care about as a society. This way the students, teachers, and parents might see the larger point in education and become more enthusiastic and motivated about it.

We should also work hard on making education a goal in itself, and stop confusing the number of hours students spend in school with the quality of the education they get. Kids can get excited about many things (baseball, for example), and it is our challenge as a society to make them want to know as much about Nobel laureates as they now know about baseball players. I am not suggesting that igniting a social passion for education is simple; but if we succeed in doing so, the value could be immense."

This is in the same wavelength as some of my thoughts on education -

The point is not to have a vocation oriented educational system, but rather to have a Goal-Oriented one...

I think that the abstractness in what the students want to achieve is a problem arising directly from an abstract education.

A system which promotes and encourages students to fix goals in life early and then helps them in moving towards it and rewards them for moving towards it is my vision of Utopia in Education :)

There will not be specific courses and subjects being taught in schools and universities but there will be Goal-oriented teams formed with advisors for them and they work together to learn, understand and develop themselves in any field or knowledge that is required to fulfill their stated goals...

I am hoping to convert this idea on education into a short story or incorporate it into my ongoing novel. So the book helped me crystallize that thought.

Sorry for the tangent. Getting back to the book, one more caveat - the author loses the plot a bit in the middle chapters. The beginning chapters about relativity and the power of zero were amusing and fun and the last two chapters on honesty is amazing, but the chapters in between was a bit of a drag.

Despite my mocking tone and slightly negative review, I will hurry to say that it is a very good purchase for anyone who enjoyed Gladwell's books or others of that genre, and also for marketeers and businessmen and maybe even for policy makers.

Despite sugar coating the book with the requirements of this genre/industry, Dan does raise some poignant questions about human nature and consumer behavior that is worth pondering over. In the final analysis then, I enjoyed the book and will read it again, and hence, four stars.

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### **‘Ashlula’ Ayse says**

What an interesting book. It complemented my last reading ~ Thinking Fast and Slow by Kahneman ~ in some ways. The examples in the book suggests that ‘The Neo Cortex’ is such a funny dude that tricks us into thinking that we are making logical decision, that we are rational beings. In the meanwhile the other machinery that actually makes and executes the decision is pulling our strings. As stated in the book, we are a true Jeckll and Hyde dilemma. Very funny and the joke is on us.

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### **Ryan says**

As a social psychologist, I have been trained to scoff at all "behavioral economists" because they often claim to have recently discovered that individuals do not always behave "rationally". Furthermore, they seem to brilliantly deduce that the only way to accurately predict how humans actually behave is to test behavior/decision making empirically. Of course, social psychologists have been doing this for over half a century without much public fanfare or guest spots on "MSNBC" or "CNN" every time people want to know how consumers make decisions.

With this clear bias of mine in mind, this isn't a bad book. Ariely at least gives full credit to Tversky and Kahneman's influence on his work (both psychologists), and he describes his experiments in clear, easy-to-understand language for the non-scientist reader. The big "however" with this book is Ariely's tendency to

extrapolate beyond the results of his studies with recommendations concerning public policy and personal solutions for individuals. Not that his advice is necessarily wrong, but it should always be made clear where the data stop and the personal advice begins. I would recommend this book to my non-social psychologist friends.

My notes and quotes:

Ariely is a behavioral economist from Israel. Much of his work is closely related to Tversky and Kahneman's work, although he has taken it in many new directions, but it is usually related to consumer behavior in some way.

\*\*\* He describes how money is often the most expensive way to motivate people. Instead, he suggests using social norms to do so. But he also warns the rules are different when you enter social norms into a relationship as opposed to market norms. The same rules that you use in relationships apply rather than the financial assessment of how much certain behaviors are worth. So if a business tries to develop social norms to increase productivity, they can't all of a sudden introduce market norms without expecting a decrease in loyalty, etc.

\*\*\* He spends some time talking about the influence of arousal on decision making, or specifically how we believe we will make a particular decision when in cold, rational states than we end up making when we are highly aroused. His specific studies have examined sexual decision making and how people are more than twice as likely to rate their likelihood of engaging in various sexual behaviors as high when they are aroused vs. when they are not. This is highly relevant to things like abstinence training programs and even safe sex programs. The best prevention is to prevent the high level of arousal or the opportunity in the first place, but if arousal does occur to make sure people are trained to have what they need available "just in case". The same principles apply for the faulty predictions of how we would behave under any emotional or motivational state, such as hunger. Another example is pregnant women not wanting to use pain medication during birth. They make the decision beforehand, but often change their mind once the pain begins because they cannot predict how they will feel during that state. One technique he offers to test this is to have a woman hold her hand into a bucket of ice for two minutes while practicing her breathing. If she is able to handle it without trouble she might be able to handle childbirth more reasonably.

\*\*\* His next section concerns procrastination and various methods of dealing with it. He divided his class into three sections, one where they got to pick their own deadlines, but once they were chosen they were firm; one where the deadlines were firmly established by the instructor; and one where there were no deadlines, they just had to submit their papers by the end of the quarter. The forced deadlines condition did best, the ones who chose their own deadlines did second, and the no deadlines condition performed the worst on the paper. He suggests the development of more external controls that we can select to prevent us from having to face temptation (to procrastinate, to spend, etc.) in the first place. By setting up our own deadlines/goals that are set in stone, we can head off our self regulation tendencies and just follow the designated structure.

\*\*\* His next section relates to when and why people cheat. He found that for many tasks where people are unsupervised, they fail to cheat as much as they possibly can, even when no one will find out, but they almost always cheat a little. This is because in small circumstances like that people don't really consider what they are doing as wrong. In other words, small infractions don't typically bring to mind codes of conduct we have available for moral decisions. Instead they just sweep the transgression under the rug without thinking about it. But if people were reminded of a moral code (like the 10 commandments) they wouldn't cheat at all. The key is to make morality accessible so that the decision will be framed in moral

terms. He also suggests oaths and guilds might make ethics in business more likely because people would frame their decisions more on the code of conduct of their organization/profession instead of not really thinking about it.

\*\*\* He continues on with his cheating work, but extends it to the difference between cash and non-cash currencies. When people are playing a game for cash they are much more likely to tell the truth about how much they earned (because the cash is a concrete reminder of how important the decision is) compared to when they play the game for tokens or credit of some kind. The problem is that people think their decisions are always made based on the same moral code regardless of the form of money they use. But in reality, the more concrete and meaningful a currency is, the more likely we are to frame our decisions in terms of market norms, and moral judgment. Some of the examples for non-monetary transactions are wardrobing or returning clothes after wearing them once; expense reports; taxes; insurance overestimations; or stealing anything that isn't directly related to cash in general.

\*\*\* He ends his book with a website for his book ([www.predictablyirrational.com](http://www.predictablyirrational.com)), and mentions that you can sign up for one of his studies from the site.

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## David says

All classic economic theories are based on the assumption that consumers behave rationally, despite a considerable body of evidence to the contrary. It is only in the last 25 years that economists have begun to investigate the irrational side of consumer behavior. This field of investigation, which started with the pioneering work of Tversky and Kahneman, is usually referred to as *behavioral economics*.

Dan Ariely's book, "Predictably Irrational", offers a clear and comprehensive overview of this fascinating subject. If you are the kind of person (like me) who can't imagine using the words 'fascinating' and 'economics' in the same sentence, don't worry, the primary focus of the book is human behavior and its peculiarities, rather than economic theory. In particular, the author is concerned with elucidating how and why people continue to engage in behavior patterns that are detrimental in the long term.

In thirteen well-written chapters, Ariely considers such topics as:

- The effect of our need for a reference point before we can judge the value of something, and how clever marketers can exploit this
- How we can become trapped by our own behavior - the importance of first decisions
- How the prospect of getting something free can override reason and logic (is it really smart to wait for free-entrance night at the museum?)
- The effect of social norms (why you are more likely to agree to help your local charity by working for nothing, than for a quarter of your normal professional rate)
- The influence of arousal (we behave irrationally in the throes of passion - what you can do about it)
- The problems of procrastination and self-control
- Our tendency to place too much value on what we already own
- The destructive consequences of people's tendency to want to keep as many options open for as long as possible
- How our expectations of something can actually influence our ability to enjoy it
- The power of price (response to a \$2.50 placebo is better than that to a 10c placebo)
- In what situations are people particularly likely to behave dishonestly? How can the triggers for dishonest

behavior be disarmed?

The book is based primarily on work that Ariely has done with colleagues at M.I.T. and elsewhere. Two features make the book exceptional, in my opinion:

The ability of Ariely and colleagues to devise really neat experiments to test their hypotheses. All of the conclusions in the book are convincingly supported by often remarkably clever experiments.

Ariely does an extraordinary job of making his material interesting and accessible to a general audience. The book was a joy to read.

I highly recommend "Predictably Irrational".

**Mary says**

This book was somewhat entertaining, but I can't really recommend it. The author does experiments with college students and beer, and extrapolates this into a world view. Most of his applications are anecdotal. Here's an example on p. 215: "Iran is another example of a nation stricken by distrust. An Iranian student at MIT told me that business there lacks a platform of trust. Because of this, no one pays in advance, no one offers credit, and no one is willing to take risks. People must hire within their families, where some level of trust exists. Would you like to live in such a world?" Excuse me, but I prefer to base my world view on more than just the impressions of 1 college student, but this is an example of how he doesn't use logic to come to his conclusions. Here's another tidbit on p. 218 "...drug companies cheat by sending doctors and their wives off on posh vacations." Using Ariely's logic, this means that all doctors are male, or the women doctors are all lesbians with wives. His experiments on cheating have flaws. Since the "cheating" group scored more than the "non-cheating" group, the cheating group MUST have cheated; but they were allowed to destroy their answer sheets. There is no proof that this group cheated; they could have just come from a higher level class, or had more coffee.

Did you notice how he leads you to the conclusions he wants you to reach? Would an objective researcher characterize one of his subjects as "a clever master's student with a charming Indian accent?" Wouldn't you be more likely to agree with the conclusion than if the participant was a "clever hunchback with an aversion to bathing?" He ascribes all kinds of emotions to his subjects throughout the book. It's not that it isn't worth a read - just realize he's working on your predictability to lead you to his conclusions.

## Ahmad Davari says