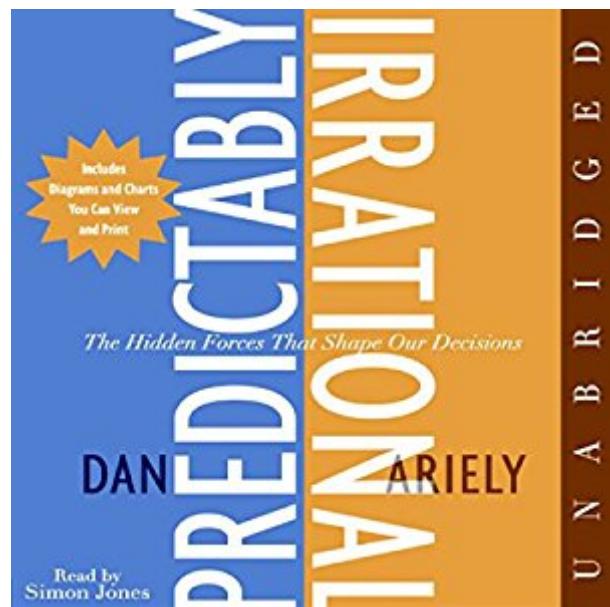


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# Predictably Irrational: The Hidden Forces That Shape Our Decisions



## Synopsis

Why do our headaches persist after taking a one-cent aspirin but disappear when we take a 50-cent aspirin? Why does recalling the 10 Commandments reduce our tendency to lie, even when we couldn't possibly be caught? Why do we splurge on a lavish meal but cut coupons to save 25 cents on a can of soup? Why do we go back for second helpings at the unlimited buffet, even when our stomachs are already full? And how did we ever start spending \$4.15 on a cup of coffee when, just a few years ago, we used to pay less than a dollar? When it comes to making decisions in our lives, we think we're in control. We think we're making smart, rational choices. But are we? In a series of illuminating, often surprising experiments, MIT behavioral economist Dan Ariely refutes the common assumption that we behave in fundamentally rational ways. Blending everyday experience with groundbreaking research, Ariely explains how expectations, emotions, social norms, and other invisible, seemingly illogical forces skew our reasoning abilities. Not only do we make astonishingly simple mistakes every day, but we make the same types of mistakes, Ariely discovers. We consistently overpay, underestimate, and procrastinate. We fail to understand the profound effects of our emotions on what we want, and we overvalue what we already own. Yet these misguided behaviors are neither random nor senseless. They're systematic and predictable - making us predictably irrational. From drinking coffee to losing weight, from buying a car to choosing a romantic partner, Ariely explains how to break through these systematic patterns of thought to make better decisions. *Predictably Irrational* will change the way we interact with the world - one small decision at a time.

## Book Information

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## Customer Reviews

This book and Dan Ariely have received a lot of media attention, so I approached the book with some skepticism, thinking that it might be overhyped. I'm pleased to report that my skepticism turned out to be unwarranted. The book has many strengths, the main one being that it convincingly presents many ways people are wired and/or conditioned to be irrational, usually without even being aware of it. This eye-opening revelation can be a bit disheartening, but the good news is that we can fix at least some of this irrationality by being aware of how it can arise and then making a steady effort to override it or compensate for it. That's not an easy task, but it can be done. As a simple example, I've programmed a realistic exercise schedule into my PDA, and I've been very consistent with my exercise because of that. The PDA imposes a discipline on me which I couldn't otherwise impose on myself (as I know from experience). The book is also well written, and I would even say enjoyable to read. The many experiments described in the book are presented in a lively way which elicits interest, and Ariely goes into just the right amount of detail -- enough to convey the basic experimental designs, results, and plausible interpretations, without boring the reader by getting into esoteric points which are more appropriate for journal papers. The one criticism I have of the book, which applies to most of Western psychology, is that most of the described experiments used US college students as subjects. That raises a serious question regarding the extent to which the results can be generalized to people of the same age who aren't college students, people of other ages, and people outside the US. Study of cultural psychology reveals that differences due to these factors can be profound, and Ariely himself notes a Korean study where such differences were observed, but he doesn't really elaborate on the point. Despite this one criticism, I think this is an excellent and authoritative book, and among the better ones in the "why smart people do dumb things" genre, so I highly recommend it. The insights revealed are both fascinating and practical, if you can muster the discipline to apply them.

I have been thinking about economics seriously for nearly 30 years. Classical economics is built to no small degree on the notion that people will generally act in their own best self interest, after rationally and intelligently examining their options. This fit my world view fine in my first career as an engineer (BS and MS in Electrical Engineering). From my 2nd Career as a Business Development person (MBA), I began to have to deal with people's tendency to not entirely think things through. Here in this book, we have a professor who runs socioeconomic tests on his MBA students.

These students are smart enough, worldly enough, experienced enough, and educated enough to approximate the standard economic assumptions and produce reasonably rational behavior. Guess what. Even among broad experiments conducted on multiple MBA classes over time, one can predictably pre-bias the outcome of a particular run of a socioeconomic experiment by what seeds you plant in the class members' minds before the experiment. For example, in one experiment in estimating prices, the author requires his students to write the last two digits of their social security numbers on the top of the paper. Simply the act of writing a high number (e.g., 88) versus a low number (e.g., 08) produced statistically significant correlatable influences on the students' later price estimates. Those compelled to write "88" at the top of their papers would reliably estimate higher prices than those compelled to write "08" at the top of their papers, to a statistically significant degree. Extrapolating to "real life." Watching Fox News will tend to make you more conservative without you knowing it. Watching MSNBC news will tend to make you more liberal without you knowing it. If you want to understand "real truth," you are just going to have to do a little more than self-select your news feeds. You are going to have to seriously consider a diversity of viewpoints. Moreover, if you have Social Darwinist beliefs as I once did, you may need to re-think the concept of the Poverty Trap. Early pre-conditioning really does make a difference. Here is the way I think of it as an Engineer. Classical Economic Theory is analogous to Classical Newtonian Physics. There is nothing badly wrong with it, and it is a good approximation for most real world problems at the middle of the distribution. However, General Relativity is indeed more correct than Classical Newtonian Physics, and the additional knowledge makes a real difference in certain special cases. And, those special cases are sometimes the really important ones. Likewise, Behavioral Economics is adding something very valuable to our knowledge of Classical Economics. Read this only if you are brave enough to contemplate that the world might be a little more complex than we wish it were.

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