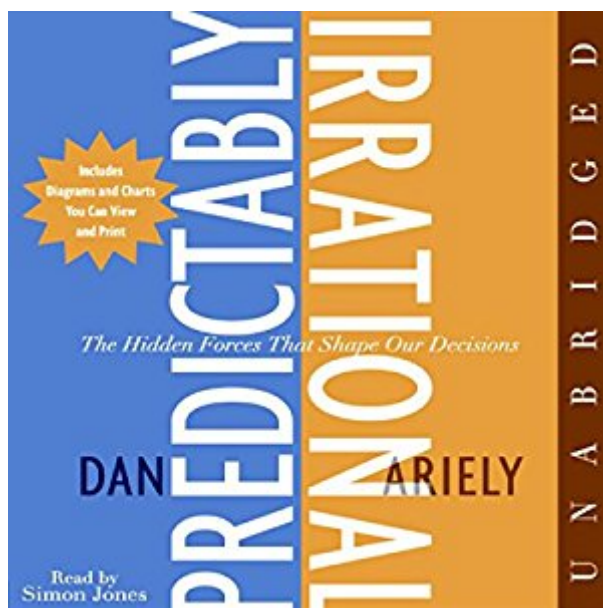


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Predictably Irrational: The Hidden Forces That Shape Our Decisions



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 Ten 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 twenty-five 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

Among the various books available that cover the topic of human behavior, Predictably Irrational is among the top ten (interested readers should also read *Sway* by Rom Brafman). It's not quite an economics book (for a much better analysis of the many failings of neoclassical economics, read *Debunking Economics* by Keen) and it's not quite a behavioral psychology book (read *Sway*) so it falls somewhere in the middle - and therein lies its main weakness. There are some very interesting anecdotes (for example, do you know why we think black pearls are valuable when originally no one wanted to buy them at any price?) and these are where most of the book's value lies. The principal weakness comes from Ariely's conclusions based on the work he's carried out. He acknowledges that we humans are "irrational" compared to the straw man of the "rational optimizer" beloved of neoclassical economic theory, but while some of his examples are interesting he fails to see the entire picture. Thus whereas Keen shows that the neoclassical model is computationally impossible, Ariely merely shows that we have different decision-making processes in two distinct contexts: interpersonal and financial. This is valid, but Ariely then goes on to show that he hasn't really explored the interpersonal context with any degree of rigor. A couple of examples will illustrate what I mean. In the first example Ariely talks about how companies strive to create a "social exchange" in the workplace because people generally work harder and more diligently in social exchange settings than in compensation-based settings. We can think of how we might keep on struggling to get a friend's piano up the stairs of a narrow apartment building long after we'd have given up if we were simply being paid \$10 per hour by a stranger to perform the same task. So Ariely notes that companies try to exploit our social side in order to get more work out of us (he doesn't look at the ethics of this attempt, or even at its many infeasibilities). Then he suggests that in order to reinforce the social dynamic and avoid corrupting it with the financial dynamic (because it's not possible to combine the two) companies should not give bonuses but instead should send employees off on a paid-for vacation. The problem, of course, is that most employees don't want to be placed in a parent-child relationship. Most employees think of themselves as independent adults. Saying "here's a vacation we've arranged for you" violates an employee's independence. Worse still it assumes the employee's plans for their free time are irrelevant (the cost of leaving one's home, family, and friends for the duration of the enforced vacation are apparently zero where the company is concerned...). Obviously this recommendation would be disastrous under real-world conditions and one wonders how Ariely failed to think through his proposal. A second example of this failure to think things through comes with Ariely's analysis of cap-and-trade. Rightly he points out that when you set a price on something (in this case pollution) then people may elect to pay more in order to

get more. Just as we might only take a single candy from a tray being passed around the group but might buy ten if the candies are being sold, so too might companies pollute less if pollution were a "social good" rather than a priced good. With cap-and-trade companies might simply elect to pay more in order to feel free to pollute more. So Ariely proposes making pollution a "social good." But again a moment's thought shows this to be absurd. Not only do we have far too many examples of companies being quite happy to pollute when it's a cost-free exercise, Ariely's own book shows that executives will ignore social factors when their focus is on financial rewards. As executives are almost exclusively motivated by fat financial rewards, the notion that they would take social norms into account when deciding whether or not (or how much) to pollute is like saying that investment bankers would put the needs of their clients and the financial system in general ahead of their own desire for the \$100 million bonus they get from pushing CDOs onto unsuspecting dupes. So in the end the book is worth reading for its anecdotal value but not for Ariely's own conclusions or policy suggestions. He's not quite an economist and not quite a behavioral psychologist and ultimately that means he's not quite useful as a guide to policy formulation on either the micro or the macro scales.

It might be because of the high expectations but this book only offers a few truly interesting revelations about the predictable irrationality of people. I liked the first chapter about the irresistibility of the middle path when offered several options and the clever use of decoys in marketing and also the fourth chapter about the distinction between social exchange and market exchange. The main downsides of this book is the lengthy writing, trying to make a sensation of something that is quite common-sense and also sometimes quite dubious scientific methods: quite often the experiments suffer from over-generalization and a very small and biased sample size. All the shortcomings aside, it still is an interesting and sometimes entertaining read.

This book was recommended by a mentor I'm following and boy am I glad I got it from the library. I decided to first see if I like it or not. After reading it, I decided to buy it here on . This is one of the best books I've ever read on marketing and sales. Absolutely fascinating!! Crazy how these tactics work. This is a must for anyone in business and selling products or services.

It is fascinating how we think our choices are coming from intellect, but they're actually coming from emotion. This book shows how we fool ourselves, thinking we are such rational beings when in fact, not only are we really not, but in predictable ways. His writing style worked too hard at being cute,

though. It made it a little hard to read sometimes.

Predictably Irrational gives you an in depth view behind what we as a society do in order to make decisions. One may at first think of themselves as an individual, and in turn their ideas are their own. This just isn't the case when you take into account personal bias which occurs due to how you're raised, heritage, regional and cultural norms. Unless one is a purely corrupt individual, they will keep in mind the wants and needs of those around them. Even then as anyone who has watched Scarface, the corrupt still think of what "high" society viewpoint is. The book really makes you think back on previous situations and decisions, that you may have subconsciously made. Moving forward, I'm sure many will reflect back on the ideas and material which is presented in this book. One example which many can relate to, is when you're at a restaurant or a party. There is always a slice of pizza left, or a bread roll from the basket. Everyone at the table is eyeballing the tasty morsel, yet out of concern for others around them leave it. Only the bravest of individuals will reach in and take the holy object. Another example comes with money and the weird relationship one has with being honest around it. Many a person has taken a pen or pencil from an office, either by accident or choice. Now, this same person would most likely never take the equivalent value of the utensil if it was money. There's a subconscious honesty when money is involved. This is somewhat scary, as the world moves towards a more digital monetary system. Overall I give a good rating for the book due to the fact it makes you think.

It is a good book, Fortunately, I knew coffee, soda and fast food were not positive contributors to my life years before the book and cut them out. Just as I accept my limitations of my very flat feet, preventing me from running a marathon for my 50th. While I agree with many of the points of the author and in no way have his level of education I have found life and peoples reasons to be far more complex.

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