



PREDICTABLY IRRATIONAL

The Hidden Forces That Shape Our Decisions

DAN

ARIELY

- **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 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.



DAN ARIELY is the Alfred P. Sloan Professor of Behavioral Economics at MIT, where he holds a joint appointment between MIT's Media Laboratory and the Sloan School of Management. He is also a researcher at the Federal Reserve Bank of Boston and a visiting professor at Duke University. Ariely wrote this book while he was a fellow at the Institute for Advance Study at Princeton. His work has been featured in leading scholarly journals and a variety of popular media outlets, including the *New York Times*, the *Wall Street Journal*, the *Washington Post*, the *Boston Globe*, *Scientific American*, and *Science*. Ariely has appeared on CNN and National Public Radio. He divides his time between Durham, North Carolina, Cambridge, Massachusetts, and the rest of the world.

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Predictably Irrational—it's not what you think.

“A marvelous book that is both thought-provoking and highly entertaining, ranging from the power of placebos to the pleasures of Pepsi. Ariely unmasks the subtle but powerful tricks that our minds play on us, and shows us how we can prevent being fooled.”

—Jerome Groopman, Recanati Chair of Medicine, Harvard Medical School,
and *New York Times* bestselling author of *How Doctors Think*

“Dan Ariely is a genius at understanding human behavior: no economist does a better job of uncovering and explaining the hidden reasons for the weird ways we act, in the marketplace and out. *Predictably Irrational* will reshape the way you see the world, and yourself, for good.” —James Surowiecki, author of *The Wisdom of Crowds*

“Filled with clever experiments, engaging ideas, and delightful anecdotes. Dan Ariely is a wise and amusing guide to the foibles, errors, and bloopers of everyday decision making.” —Daniel Gilbert, Professor of Psychology, Harvard University, and
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“This is going to be the most influential, talked-about book in years. It is so full of dazzling insights—and so engaging—that once I started reading, I couldn’t put it down.”

—Daniel McFadden, 2000 Nobel Laureate in Economics,
Morris Cox Professor of Economics, University of California at Berkeley

“*Predictably Irrational* is wildly original. It shows why—much more often than we usually care to admit—humans make foolish, and sometimes disastrous, mistakes. Ariely not only gives us a great read; he also makes us much wiser.”

—George Akerlof, 2001 Nobel Laureate in Economics,
Koshland Professor of Economics, University of California at Berkeley

“The most difficult part of investing is managing your emotions. Dan explains why that is so challenging for all of us, and how recognizing your built-in biases can help you avoid common mistakes.”

—Charles Schwab, Chairman and CEO, The Charles Schwab Corporation



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*The Hidden Forces That Shape
Our Decisions*

Dan Ariely



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*To my mentors, colleagues, and students—
who make research exciting*

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Introduction

How an Injury Led Me to Irrationality and to the Research Described Here

I have been told by many people that I have an unusual way of looking at the world. Over the last 20 years or so of my research career, it's enabled me to have a lot of fun figuring out what really influences our decisions in daily life (as opposed to what we think, often with great confidence, influences them).

Do you know why we so often promise ourselves to diet, only to have the thought vanish when the dessert cart rolls by?

Do you know why we sometimes find ourselves excitedly buying things we don't really need?

Do you know why we still have a headache after taking a one-cent aspirin, but why that same headache vanishes when the aspirin costs 50 cents?

Do you know why people who have been asked to recall the Ten Commandments tend to be more honest (at least immediately afterward) than those who haven't? Or why honor codes actually do reduce dishonesty in the workplace?

By the end of this book, you'll know the answers to these and many other questions that have implications for your personal life, for your business life, and for the way you look at the world. Understanding the answer to the question about aspirin, for example, has implications not only for your choice of drugs, but for one of the biggest issues facing our society: the cost and effectiveness of health insurance. Understanding the impact of the Ten Commandments in curbing dishonesty might help prevent the next Enron-like fraud. And understanding the dynamics of impulsive eating has implications for every other impulsive decision in our lives—including why it's so hard to save money for a rainy day.

My goal, by the end of this book, is to help you fundamentally rethink what makes you and the people around you tick. I hope to lead you there by presenting a wide range of scientific experiments, findings, and anecdotes that are in many cases quite amusing. Once you see how systematic certain mistakes are—how we repeat them again and again—I think you will begin to learn how to avoid some of them.

But before I tell you about my curious, practical, entertaining (and in some cases even delicious) research on eating, shopping, love, money, procrastination, beer, honesty, and other areas of life, I feel it is important that I tell you about the origins of my somewhat unorthodox worldview—and therefore of this book. Tragically, my introduction to this arena started with an accident many years ago that was anything but amusing.

ON WHAT WOULD otherwise have been a normal Friday afternoon in the life of an eighteen-year-old Israeli, everything changed irreversibly in a matter of a few seconds. An explo-

sion of a large magnesium flare, the kind used to illuminate battlefields at night, left 70 percent of my body covered with third-degree burns.

The next three years found me wrapped in bandages in a hospital and then emerging into public only occasionally, dressed in a tight synthetic suit and mask that made me look like a crooked version of Spider-Man. Without the ability to participate in the same daily activities as my friends and family, I felt partially separated from society and as a consequence started to observe the very activities that were once my daily routine as if I were an outsider. As if I had come from a different culture (or planet), I started reflecting on the goals of different behaviors, mine and those of others. For example, I started wondering why I loved one girl but not another, why my daily routine was designed to be comfortable for the physicians but not for me, why I loved going rock climbing but not studying history, why I cared so much about what other people thought of me, and mostly what it is about life that motivates people and causes us to behave as we do.

During the years in the hospital following my accident, I had extensive experience with different types of pain and a great deal of time between treatments and operations to reflect on it. Initially, my daily agony was largely played out in the “bath,” a procedure in which I was soaked in disinfectant solution, the bandages were removed, and the dead particles of skin were scraped off. When the skin is intact, disinfectants create a low-level sting, and in general the bandages come off easily. But when there is little or no skin—as in my case because of my extensive burns—the disinfectant stings unbearably, the bandages stick to the flesh, and removing them (often tearing them) hurts like nothing else I can describe.

Early on in the burn department I started talking to the

nurses who administered my daily bath, in order to understand their approach to my treatment. The nurses would routinely grab hold of a bandage and rip it off as fast as possible, creating a relatively short burst of pain; they would repeat this process for an hour or so until they had removed every one of the bandages. Once this process was over I was covered with ointment and with new bandages, in order to repeat the process again the next day.

The nurses, I quickly learned, had theorized that a vigorous tug at the bandages, which caused a sharp spike of pain, was preferable (to the patient) to a slow pulling of the wrappings, which might not lead to such a severe spike of pain but would extend the treatment, and therefore be more painful overall. The nurses had also concluded that there was no difference between two possible methods: starting at the most painful part of the body and working their way to the least painful part; or starting at the least painful part and advancing to the most excruciating areas.

As someone who had actually experienced the pain of the bandage removal process, I did not share their beliefs (which had never been scientifically tested). Moreover, their theories gave no consideration to the amount of fear that the patient felt anticipating the treatment; to the difficulties of dealing with fluctuations of pain over time; to the unpredictability of not knowing when the pain will start and ease off; or to the benefits of being comforted with the possibility that the pain would be reduced over time. But, given my helpless position, I had little influence over the way I was treated.

As soon as I was able to leave the hospital for a prolonged period (I would still return for occasional operations and treatments for another five years), I began studying at Tel Aviv University. During my first semester, I took a class that

profoundly changed my outlook on research and largely determined my future. This was a class on the physiology of the brain, taught by professor Hanan Frenk. In addition to the fascinating material Professor Frenk presented about the workings of the brain, what struck me most about this class was his attitude to questions and alternative theories. Many times, when I raised my hand in class or stopped by his office to suggest a different interpretation of some results he had presented, he replied that my theory was indeed a possibility (somewhat unlikely, but a possibility nevertheless)—and would then challenge me to propose an empirical test to distinguish it from the conventional theory.

Coming up with such tests was not easy, but the idea that science is an empirical endeavor in which all the participants, including a new student like myself, could come up with alternative theories, as long as they found empirical ways to test these theories, opened up a new world to me. On one of my visits to Professor Frenk's office, I proposed a theory explaining how a certain stage of epilepsy developed, and included an idea for how one might test it in rats.

Professor Frenk liked the idea, and for the next three months I operated on about 50 rats, implanting catheters in their spinal cords and giving them different substances to create and reduce their epileptic seizures. One of the practical problems with this approach was that the movements of my hands were very limited, because of my injury, and as a consequence it was very difficult for me to operate on the rats. Luckily for me, my best friend, Ron Weisberg (an avid vegetarian and animal lover), agreed to come with me to the lab for several weekends and help me with the procedures—a true test of friendship if ever there was one.

In the end, it turned out that my theory was wrong, but



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bosish orqali sotib oling!**