Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Us by Dan Ariely

Dan Ariely, a behavioral economist and New York Times bestselling writer, writes about why people make the choices they do. The book has 15 chapters discussing patterns of behavior and the controlled experiments the author and his collaborators conducted on mostly MIT college students to evaluate decision making and to test their theories. In his first chapter, Ariely discusses relativity and how we need anchors to make decisions. For example, if we have two equally good options, we have difficulty deciding between them. However, if we add an inferior variation of one of them, we will likely choose the better version of that option. If we are given the option of attending one lunch lecture discussing drug A and another lunch lecture discussing drug B, we will have difficulty deciding which to attend. If there is a third lecture after work on drug A at which no food is offered, invariably, people will choose the Drug A lecture with lunch. They compare the Drug A lecture with lunch to the Drug A lecture without food and determine the one with food is a better deal even with no basis of comparison for lunch on Drug B.

In Chapter 3, Ariely explains why we often pay too much when we pay nothing. Ariely et al. ran several experiments using candy and pricing to determine if our decision making is rational. Generally, people consider the upside and downside when we make decisions, but when something is free, we tend to forget about the downside. Humans have a disproportionate fear of losing something. If something is free, we do not have that fear. We will purchase accessory items or stand in line for long periods to get something for free. When France charged the equivalent of 20 cents for shipping Amazon products, sales did not go up as they did in the rest of the world, but as soon as they went to free shipping, the increase in sales was equivalent to other countries. Making something free is demonstrated to be a powerful trigger for the desired behavior. When a drug company offers a coupon for a free copay, a free trial, or even free information, it gets our attention, and we are prone to make irrational decisions as a result.

In Chapter 4, Ariely begins his discussion of the social norm and the market norm. If someone offers us money or tells us how much a gift costs, then we expect to be fairly paid for our labor. If they ask us to do work as a favor, we do it without expectation for payment because we anchor it in our social world of normal behavior instead of using market norms. If you want your patients to think of you as a member of the family in the hopes that they will understand, if you make them wait, then you are operating in a social relationship. However, then if you charge them an extra copay or fine them for a missed appointment, they will move to think of your practice in terms of a market relationship, and it will be challenging to move them back to thinking in terms of social norms.

In an experiment by Gneezy and Rustichini (2000), parents who were late picking up their children in an Israeli daycare were charged a fine. This moved behavior from a social norm of feeling guilty for picking their children up late to a transactional nature- minutes for dollars. Instead of picking their children up on time, more parents were late after the fine was instituted. Why? Because the guilt was removed. Even after they were no longer fined, they continued to pick their children up late. The relationship had moved from one based on social norms to one based on market norms. Ariely suggests choosing one or the other and sticking with it. He cautions that social norms tend to motivate people much more than market norms and are more economical.

Preventative health care is much more cost-effective than reactive health care, but people have a hard time making time for preventative care. Ariely conducted several experiments in which students were given firm deadlines, where they gave themselves firm deadlines, and where the deadline was the last day of the semester. After evaluating their work, those with the firm deadlines performed best, those with no deadlines performed worst, and those with self-imposed deadlines were in the middle. He suggested that if a cost was imposed on patients who do not follow through on preventative care, follow-through might be more consistent. Patients have good intentions when walking out of the physician's office, but then life gets in the way.

Expectations have a huge effect on how we evaluate the success of something. Ariely asks would a $2.50 pain pill be perceived as working better than a $.10 pill, the results, yes. The placebo effect is powerful, and we have higher expectations for results from more expensive items. He then tested stereotypes and demonstrated the same results. What we expect will happen, invariably, will be what we think did happen.

Honesty in test-taking is undoubtedly in the realm of professionalism as are free lunches from drug representatives and "borrowing" office supplies. What would make a student more honest when taking a test? Ariely showed that nearly all groups of students cheated when they thought they could. Most cheated a little though, not a lot, even when the experiment was designed so they could not be caught. Eventually, their superego stopped them. What decreases cheating? Having the test takers sign an honor code or personal honesty statement before taking the test, markedly decreased the amount of cheating on the test. Ariely's experiments also demonstrated that people were more willing to steal when money was not involved.

In one experiment, students were paid for the number of correct answers they achieved on a test, the control group. The second group self-reported correct answers and were paid. The average number correct went up, but not a lot. In the final group, the students were paid with tokens for the number of correct answers. They then took the tokens across the room to exchange them for money. The number correct went up significantly higher, some even reporting 100%. People are reluctant to cheat or steal when money is directly involved, which begs the question, what will happen when our financial system no longer utilizes paper currency? Cheating or stealing is not limited by risk because we rarely do a risk benefits analysis of our actions. It is limited by our ability to rationalize our actions for ourselves.

In the last chapter of the book, Ariely explores how people change their behaviors when they want to have a certain image or be perceived in a certain way. He evaluated people ordering dinner privately verses in a group setting and showed that people are willing to sacrifice their pleasure to be perceived in a certain way.

A critique of the book would be that it was no more than a description of a series of experiments providing evidence for theories on human behavior. The sample population was from MIT and other Ivy League universities, which would certainly not be representative of an entire population. The theories came before the experiments, which could have led to a demonstration of the very irrational decision making that Ariely says we make, basing the conclusions on what we expect will occur.

Ariely, D. (2014). *Predictably irrational, revised, and expanded edition*. HarperCollins e-Books.

Gneezy, U., & Rustichini, A. (2000) A fine Is a price. *The Journal of Legal Studies*. (29:1), 1-17.