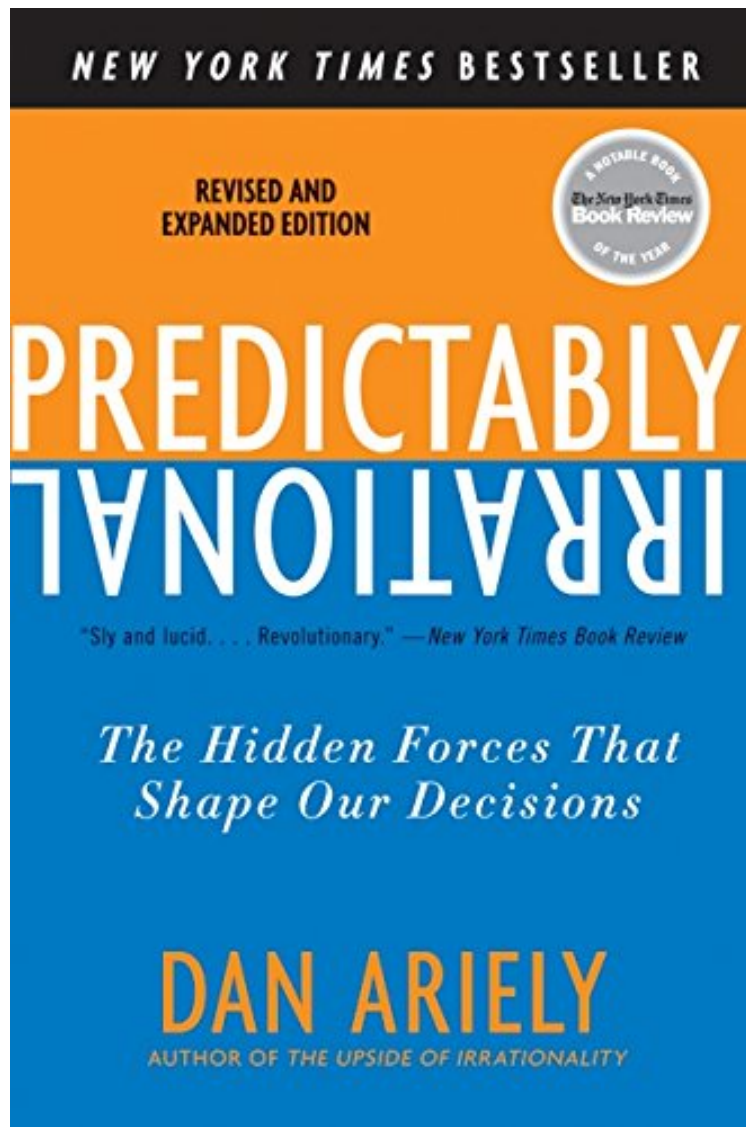


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Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions

Dan Ariely

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#1417 in Books Ariely, Dan 2010-04-27 2010-04-27 Original language: English PDF # 1 8.00 x .86 x 5.311, .57 #File Name: 0061353248384 pages Harper Perennial | File size: 32.Mb

Dan Ariely : Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions before purchasing it in order to gauge whether or not it would be worth my time, and all praised Predictably Irrational, Revised and Expanded Edition: The Hidden Forces That Shape Our Decisions:

42 of 43 people found the following review helpful. Good for the Anecdotes By Allan M. Lees 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 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.

1 of 1 people found the following review helpful.
Great! By Customer 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.

1 of 1 people found the following review helpful. We're not as rational as we like to think!
By Susan J. Scher 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.

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.

From Publishers Weekly Irrational behavior is a part of human nature, but as MIT professor Ariely has discovered in 20 years of researching behavioral economics, people tend to behave irrationally in a predictable fashion. Drawing on

psychology and economics, behavioral economics can show us why cautious people make poor decisions about sex when aroused, why patients get greater relief from a more expensive drug over its cheaper counterpart and why honest people may steal office supplies or communal food, but not money. According to Ariely, our understanding of economics, now based on the assumption of a rational subject, should, in fact, be based on our systematic, unsurprising irrationality. Ariely argues that greater understanding of previously ignored or misunderstood forces (emotions, relativity and social norms) that influence our economic behavior brings a variety of opportunities for reexamining individual motivation and consumer choice, as well as economic and educational policy. Ariely's intelligent, exuberant style and thought-provoking arguments make for a fascinating, eye-opening read. (Feb.) Copyright Reed Business Information, a division of Reed Elsevier Inc. All rights reserved. This is a wonderful, eye-opening book. Deep, readable, and providing refreshing evidence that there are domains and situations in which material incentives work in unexpected ways. We humans are humans, with qualities that can be destroyed by the introduction of economic gains. A must read! (Nassim Nicholas Taleb, New York Times bestselling author of *The Black Swan: The Impact of the Highly Improbable*) Sly and lucid. . . . Predictably Irrational is a far more revolutionary book than its unthreatening manner lets on. (New York Times Book) Surprisingly entertaining. . . . Easy to read. . . . Ariely's book makes economics and the strange happenings of the human mind fun. (USA Today) A fascinating romp through the science of decision-making that unmasks the ways that emotions, social norms, expectations, and context lead us astray. (Time magazine) In creative ways, author Dan Ariely puts rationality to the test. . . . New experiments and optimistic ideas tumble out of him, like water from a fountain. (Boston Globe) An entertaining tour of the many ways people act against their best interests, drawing on Ariely's own ingeniously designed experiments. . . . Personal and accessible. (BusinessWeek) Ariely's book addresses some weighty issues . . . with an unexpected dash of humor. (Entertainment Weekly) Inventive. . . . An accessible account. . . . Ariely is a more than capable storyteller . . . If only more researchers could write like this, the world would be a better place. (Financial Times) Ariely's intelligent, exuberant style and thought-provoking arguments make for a fascinating, eye-opening read. (Publishers Weekly) A taxonomy of financial folly. (The New Yorker) 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, 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*) PREDICTABLY IRRATIONAL is a charmer-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 author of *Stumbling on Happiness*) 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) 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, Nobel Laureate in Economics, 2001 Koshland Professor of Economics, University of California at Berkeley) Dan Ariely's ingenious experiments explore deeply how our economic behavior is influenced by irrational forces and social norms. In a charmingly informal style that makes it accessible to a wide audience, PREDICTABLY IRRATIONAL provides a standing criticism to the explanatory power of rational egoistic choice. (Kenneth Arrow, Nobel Prize in Economics 1972, Professor of Economics Stanford University) A delightfully brilliant guide to our irrationality and how to overcome it in the marketplace and everywhere. (Geoffrey Moore, author of *Crossing the Chasm and Dealing with Darwin*) After reading this book, you will understand the decisions you make in an entirely new way. (Nicholas Negroponte, founder of MIT's Media Lab and founder and chairman of the One Laptop per Child non-profit association) PREDICTABLY IRRATIONAL is a scientific but imminently readable and decidedly insightful look into why we do what we do every day...and why, even though we know better, we may never change. (Wenda Harris Millard, President, Media, Martha Stewart Living Omnimedia) Predictably Irrational is an important book. Full of valuable and entertaining insights that will make an impact on your business, professional, and personal life. (Jack M Greenberg, Chairman, Western Union Company, Retired Chairman and CEO, McDonald's Corporation) Predictably Irrational is clever, playful, humorous, hard hitting, insightful, and consistently fun and exciting to read. (Paul Slovic, Founder and President, Decision Research) Freakonomics held that people respond to incentives, perhaps in undesirable ways, but always rationally. Dan Ariely shows you how people are deeply irrational, and predictably so. (Chip Heath, Co-Author, *Made to Stick*, Professor, Stanford Graduate School of Business) From the Back Cover 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.