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Abstract: Reviews the book, "Predictably Irrational: The Hidden Forces That Shape Our Decisions" by Dan Ariely (see record 2008-04432-000). In this book, it is discussed how certain psychological processes systematically compromise the quality of human judgment, decision making, and behavior. Ariely does not offer a comprehensive survey of behavioral economics. Instead, he illustrates particularly surprising aspects of irrationality by describing some of his own most vivid experiments. Undergraduate students in psychology and economics would love this text as much as their professors would. Although this storytelling approach may not have the depth of an academic review, it is thoroughly illuminating. For the reader who wishes to look a little deeper, Ariely has put a list of additional readings at the end of the book. "Predictably Irrational" is a timely reminder for social psychologists to look beyond the confines of their own field and discover the interesting work being done in nearby departments. (PsycINFO Database Record (c) 2009 APA, all rights reserved)

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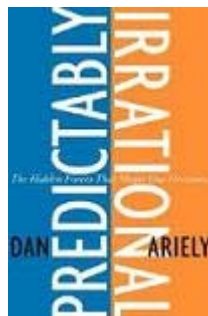
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Irrationally Yours

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Review of: Predictably Irrational: The Hidden Forces That Shape Our Decisions

By: Dan Ariely, New York: HarperCollins, 2008. 280 pp. ISBN 978-0-06-135323-9. \$25.95

Psychologists and economists share an interest in human rationality and its limitations. Over the last two decades, the intersection of these two fields has become a fertile ground for theoretical and empirical work. Behavioral (or rather “psychological”) economics is now a thriving interdisciplinary enterprise of considerable visibility and impact. Dan Ariely, a professor at the Massachusetts Institute of Technology’s Sloan School of Management, is a talented champion of this approach. In *Predictably Irrational: The Hidden Forces That Shape Our Decisions*, he discusses how certain psychological processes systematically compromise the quality of human judgment, decision making, and behavior.

Ariely does not offer a comprehensive survey of behavioral economics. Instead, he illustrates particularly surprising aspects of irrationality by describing some of his own most vivid experiments. The narrative style is lively, humorous, and rich with personal anecdotes and pop culture references. Undergraduate students in psychology and economics would love this text as much as their professors would. Although this storytelling approach may not have the depth of an academic review, it is thoroughly illuminating. For the reader who wishes to look a little deeper, Ariely has put a list of additional readings at the end of the book.

The scene for each experiment is deftly set, with a sense of immediacy coming off the page. Some of the reported studies take the reader to traditional laboratory settings, whereas others introduce novel and creative solutions to the challenge of gathering probative data. In one study, participants made judgments and decisions while masturbating. All of them were males; Ariely and his team decided that their “wiring is a lot simpler than that of women” (p. 91). The judgments made by these aroused men were consistently irrational, confirming the ancient suspicion that sex interferes with reason. On the verge of orgasm, men were more likely to say they might find contact with an animal arousing, that they would try to have sex over the objections of their dates, and that they would not necessarily use a condom with a new partner.

Rationality does not only suffer from disruption by arousal, sexual or otherwise. Even a simple difference between possessing an object and not possessing it can lead to a curious change of mind. Following Kahneman, Knetsch, and Thaler’s (1990) research on the “endowment effect,” Ariely found that basketball fans who won tickets to a game in a lottery valued these tickets at a selling price 14 times higher than the buying price offered by less fortunate fans. According to standard economic theory, possession itself should not affect valuation, and the practical drawback of the endowment effect is that it makes trades less likely to occur.

These two examples highlight the difficulty of determining a common denominator for various types of irrationality. Arguably, arousal effects are irrational because arousal itself is, by definition, irrational. The point of the masturbation study is that aroused men are willing to do things that they would not do when in a cooler frame of mind. This tension between irrational impulses and one’s own better judgment recalls, as Ariely notes, the tale of Dr. Jekyll and Mr. Hyde, without the fur and the howling. Equally important is people’s failure to predict the change in perspective they undergo when entering a hot (i.e., aroused) state. The endowment effect stems from an entirely different source. Here, the culprit is the perceptual framing rather than arousal. Once an object passes into a person’s possession, its potential sale is framed as loss. As losses are psychologically more poignant than gains, people assess a higher selling price.

Ariely suggests that what binds different kinds of irrationality together is their “distance from perfection” (p. xix). But what is *perfection*? The folk psychology underlying classic economics is the assumption that people ought to be rational in the sense of being able to make fully informed, coherent, and self-regarding choices. People are being irrational when they do things that they themselves, upon reflection, know they should not do. This may be a serviceable definition for most irrationalities, but it cannot accommodate framing effects like the endowment effect. Framing effects are incoherent in the sense that the person produces two different judgments in response to contextual variations that normatively should not matter. Yet, the normative model does not say which of the two judgments is correct.

Ariely proposes that research on irrationality has two important dividends. First, the study of how we “depart from the ideal [of rationality] is an important part of the quest to truly understand ourselves” (p. xix). Second, to the extent that irrational judgment sabotages people's self-interest, remedies can be found to help people do better. Ariely offers a wide range of advice, from how to appear more attractive (stand near somebody slightly uglier than you are) to how to be more honest (think about the Ten Commandments).

The practical advice notwithstanding, *Predictably Irrational* is not a self-help book. If “we are pawns in a game whose forces we largely fail to comprehend” (p. 243), some help must come from the outside. Take procrastination. Ariely studied the effects of various types of deadlines on the performance of proofreaders. As hoped, self-imposed deadlines improved performance, but externally imposed deadlines were even better. But never mind proofreaders. Consider the implications for health behavior in the general population. People who put off regular health exams accumulate risks to their continued survival. Curbing procrastination and increasing the frequency of regular checkups could lead to the early detection and prevention of major health problems. The use of external deadlines (presumably imposed by insurance providers or the government) could eliminate wasteful health-care spending and personal suffering. With amusement, Ariely suggests that “we would all be healthier if the health police arrived in a van and took procrastinators to the ministry of cholesterol control for blood tests” (p. 118).

If there is a need to combat irrationality not only from the inside but also from the outside, ethical concerns creep in. For example, behavioral improvements attained through the institution of externally imposed deadlines must be weighed against restrictions on individual freedom. The principle of “asymmetric paternalism” (Camerer, Issacharoff, Loewenstein, O'Donoghue, & Rabin, 2003) permits only interventions that preserve individual freedom. Some of Ariely's recommendations appear to favor outright paternalism, which sacrifices individual freedom for the higher goal of shielding people from their own irrationalities. Ariely even contemplates a world in which credit cards, cars, and health plans are designed to automatically prevent irrational human decisions. In this world, people would be immune to the negative effects of emotions and expectations. Many of these corrective solutions are clever and appealing, but, if taken to their logical conclusion, they do not leave much room for personal autonomy. When we have finally eliminated every form of irrationality, we may be surprised to find that little else remains. Robots are rational, but who wants to be a robot?

Irrationalities can perhaps be fixed piecemeal, one nutty error at a time, but it would be nice if the problem could be attacked at the root. Is there, perhaps, a fatal flaw in the design of the human mind that yields all the particular instances of craziness that Ariely catalogues? The answer seems to be no. Recall that the irrationalities of arousal and endowment stem from very different psychological processes. And there are more, such as the intrusion of appetites (recall the masturbation study), self-love (e.g., wanting to appear unique), and seemingly cool but actually whacky ideas (e.g., having more options is always better).

If there is one candidate for the title of master irrationality, it probably has to do with the way people use comparisons to make judgments. Ariely seems to mistrust comparisons, noting that “most people don't know what they want unless they see it in context” (p. 3). Others (e.g., Dawes, 2001), however, believe that making judgments by comparison is the royal road to rationality. If the study of irrationality depends on comparisons between behavioral data and normative standards, then, surely, the study of rationality should itself be rational.

With the abundance of irrationalities comes the conflict between different normative ideas. In a fascinating chapter (9), Ariely reports experiments conducted with various kinds of beer and soft drinks. As it turns out, people's evaluations of these drinks only partially depend on their physical experience of taste. Esteem for the brand and knowledge of added ingredients (vinegar!) also play a role. Why this respect for source information should be irrational is not clear. What is wrong with a glass of wine tasting better once you know it is a Côte du Rhône? Often it is the reverse effect, the neglect of such extra information, that is considered irrational (i.e., a base rate fallacy). The key to rational judgment is the proper (i.e., Bayesian) integration of specific stimulus information with general background knowledge. Complete neglect of one or the other is suspect.

If the absence of a unifying framework for (ir)rationality is one shortcoming, the lack of process-oriented explanations for some of the documented foibles is another. To say that “we all make the same types of mistakes over and over, because of the basic wiring of our brains” (p. 238) does not really explain much at all. Some of Ariely's explanations of human irrationality are commonplace analogies. Like others before him, Ariely sees a continuity between decision illusions and visual

illusions, forgetting that no vision researcher would want to devise a cure for optical illusions, knowing that such cures would destroy the visual system and the good that it does under most ordinary circumstances (Funder, 1987).

As an interdisciplinary field, behavioral economics still has certain disciplinary blind spots. From a psychologist's point of view, it is unfortunate that Ariely does not avail himself of the rich archive of social psychological research. Work on social compliance, as reviewed by Cialdini (2006), is a case in point. In social psychological experiments, compliance occurs when people are maneuvered to do something that they really don't want to do; hence, it could be regarded as irrational. Ariely's exposition would have been stronger had he acknowledged the relevance of this work. But this observation cuts both ways. *Predictably Irrational* is a timely reminder for social psychologists to look beyond the confines of their own field and discover the interesting work being done in nearby departments.

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