BeFi Web Seminar for September 24, 2008
Predictably Irrational

by Dan Ariely
Duke University
Predictably Irrational: The Hidden Forces That Shape Our Decisions

DAN ARIELY
REALITY VS. SUBJECTIVE REALITY
ILLUSIONS AS A METAPHOR
A FEW EXAMPLES OF

“DECISION ILLUSIONS”
Organ donations?

% of drivers donating organs

Denmark: 4
Netherlands: 28
United Kingdom: 17
Germany: 12
Austria: 100
Belgium: 98
France: 100
Hungary: 100
Poland: 100
Portugal: 100
Sweden: 86

Johnson & Goldstein (2003)
Opt-in

☐ Check the box below if you **want** to participate in the organ donor program
Check the box below if you want to participate in the organ donor program. If you do not check the box, you will not be included in the program.
Opt-in

Check the box below if you want to participate in the organ donor program

Opt-out

Check the box below if you don’t want to participate in the organ donor program
Opt-in

Check the box below if you want to participate in the organ donor program.

Opt-out

Check the box below if you don’t want to participate in the organ donor program.
Opt-in

☐ Check the box below if you want to participate in the organ donor program

Opt-out

☐ Check the box below if you don't want to participate in the organ donor program
What about professionals?

Redelmeier & Shafir (1995)
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Redelmeier & Shafir (1995)
The Jam study

Iyengar & Lepper (2000)
The Jam study

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## The Jam study

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What a piece of work is a man! how noble in reason! how infinite in faculty! in form and moving how express and admirable! in action how like an angel! in apprehension how like a god!

Will Shakespeare (Act II, scene 2, of Hamlet)
Behavioral Economics ...

What a piece of work is a man! how noble in reason! how infinite in faculty! in form and moving how express and admirable! in action how like an angel! in apprehension how like a god!

Will Shakespeare (Act II, scene 2, of Hamlet)
IT IS ALL ABOUT .....
IT IS ALL ABOUT ..... FREE LUNCHES !!!
PEOPLE DON'T KNOW THEIR PREFERENCES

MEASUREMENT

CHOICE CONSTRUCTION
Answer the following:
**Answer the following:**

<table>
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<th>Please write 10 reasons why you love your significant other</th>
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**Answer the following:**

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<tbody>
<tr>
<td>Please write 3 reasons to buy a BMW</td>
<td>Please write 10 reasons to buy a BMW</td>
</tr>
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</table>
Answer the following:
Answer the following:

Indicate on the following scale how many times do you floss a day:

0 1 2 3 4 5 6 7 8 9 >9
Answer the following:

Indicate on the following scale how many times do you floss a day:

0 1 2 3 4 5 6 7 8 9 >9

Indicate on the following scale how many times do you floss a month:

0 1 2 3 4 5 6 7 8 9 >9
Answer the following:

Indicate on the following scale how many times do you floss a day:

0 1 2 3 4 5 6 7 8 9 >9

Indicate on the following scale how many times do you floss a month:

0 1 2 3 4 5 6 7 8 9 >9

Should you call the dentist to make an appointment?
Answer the following:

Indicate on the following scale how many times do you floss a **day**:

![Flossing Frequency Scale](day_scale.png)

Indicate on the following scale how many times do you floss a **month**:

![Flossing Frequency Scale](month_scale.png)

Should you call the dentist to make an appointment?
Answer the following:

Indicate on the following scale how many times do you floss a day:

0 1 2 3 4 5 6 7 8 9 >9

Indicate on the following scale how many times do you floss a month:

0 1 2 3 4 5 6 7 8 9 >9

Should you call the dentist to make an appointment?
What do people infer?

“I am below the norm”

“I am above the norm”
PEOPLE DON’T KNOW
Their preferences

MEASUREMENT
Choice construction
Asymmetric dominance

Attribute 1

Attribute 2
Asymmetric dominance

Attribute 1

Attribute 2

A
Asymmetric dominance

Attribute 1

Attribute 2

A

B
Asymmetric dominance

Attribute 1

Attribute 2

A
A'
B
Asymmetric dominance

Attribute 1

Attribute 2

A

A'

B
Asymmetric dominance

![Diagram showing attributes and points A, B, and B']
Asymmetric dominance

Attribute 1

Attribute 2

A

B

B'
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Lessons
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Co-Founder, BeFi
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Co-Founder, BeFi
President, Boston Research Group