Predictably Irrational – Ariely, Dan

This book is about decision-making that appears to be irrational because we demonstrate consistent overpaying, procrastination, and underestimation but are actually rooted in predictable systems of beliefs and thinking.

Humans rarely choose things in absolute terms. We focus on the relative advantage of one thing over another and estimate value accordingly. (2) Most people don't know what they want unless they see it in context. (3) We tend to focus on comparing things that are easily comparable – and avoid comparing things that cannot be compared easily. (8)

Begin by questioning a habit. How did it begin? Second, ask yourself what amount of pleasure you will be getting out of it. Is the pleasure as much as you thought you would get? With everything you do you should train yourself to question your repeated behaviors. The first decision is crucial, and we should give it an appropriate amount of attention. (46)

Inventory the imprints and anchors. Demand is not, in fact, a completely separate force from supply. The relationships we see in the marketplace between demand and supply are based not on preferences but on memory. (48)

Sometimes we want our decisions to have a rational veneer when they stem from a gut feeling – what we crave deep down. In our attempts to make sure we end up with decisions that seem well-reasoned and thoughtful, we commonly undergo a lot of unnecessary mental gymnastics and justifications, particularly when the choices are large and significant. (53)

Transactions have an upside and downside, but with FREE! We forget the downside. We are intrinsically afraid of loss. Theres no visible possibility of loss when we choose a FREE! item. (60)

The pain of paying is relatively insensitive to the amount that we pay. This means that we feel more pain of paying as the bill increases, but every additional dollar on the bill pains us less. (We call this 'diminishing sensitivity.') (70)

We live simultaneously in two different worlds – one where social norms prevail, and the other where market norms make the rules. Social norms are wrapped up in our social nature and our need for community. They are usually warm and fuzzy. The other world that is governed by market norms is very different. There's nothing warm and fuzzy about it. The exchanges are sharp-edged. When social and market norms collide, trouble sets in. (77)

Even small gifts keep us in the social exchange world and away from market norms. By the mention of its cost, the gift passes into the realm of market norms. (81) For that market norms to emerge, it is sufficient to mention money, even when no money changes hands. (82) Just thinking about money makes us behave as most economists believe we behave. (83) Introducing market norms into social exchanges violates the social norms and hurts the relationships. Once this type of mistake has been committed, recovering a social relationship is difficult. (84) When a social norm collides with a market norm, the social norm goes away for a long time. Social relationships are not easy to reestablish. (85) One violation of the social exchange means that the consumer is back to the market exchange. If you're a company, the advice is to remember that you can't have it both ways. You can't treat your consumers like family one moment and then treat them impersonally is a moment later when this becomes more convenient or profitable. This isn't how social relationships work. If you want a social relationship, go for it, but remember that you have to maintain it under all circumstances. (87)

Life with fewer market norms and more social norms would be more satisfying, creative, fulfilling, and fun. (95) When we offer people a financial payment in a situation that is governed by social norms, the added payment could actually reduce their motivation to engage and help out. (105)

The theory of demand is a solid one – except when we're dealing with the price of zero. Whenever the price is not part of the exchange, social norms become entangled. When prices are zero and social norms are part of the equation, people look at the world as a communal good. Not mentioning prices ushers in social norms. (112)

Every one of us, regardless of how "good" we are, underpredicts the effect of passion on our behavior. (128) "Just say on" assumes we can turn off passion at will, at any point, whereas our study shows this assumption to be false. (131)

We need to explore the two sides of ourselves; the cold state and the hot state; we need to see how the gap between the hot and cold states benefits our lives, and where it leads us astray. (134)

By 2006 the savings rate of Americans had fallen below zero, whereas these rates were double-digit 25 years prior. (139) Seven in 10 households borrow on credit cards to cover basic living expenses. (140)

People may set deadlines for themselves, but not necessarily the deadlines that are best for getting the best performance. (145) When an authoritative "external voice" gives the orders, most of us will jump to attention. If you are giving orders, the best course might be to give people an opportunity to commit up front to their preferred path of action. It might not be as effective as the dictatorial treatment, but it can help push us in the right direction. (147)

Three irrational quirks in human nature: We fall in love with what we already have; We focus on what we may lose; We assume people will see the transaction from the same perspective as we do. (173-5)

In every case give something up for an option. (184) We have an irrational compulsion to keep doors open. (194)

When we believe beforehand that something will be good, therefore, it generally will be good – and when we think it will be bad, it will be bad. (205)

A stereotype is a way of categorizing information. They provide shortcuts in our never-ending attempt to make sense of complicated surroundings. (212) The likelihood of agreement about "the facts" becomes smaller and smaller as personal investment in the problem grows. (216)

Positive expectations allow us to enjoy things more and improve our perceptions of the world around us. The danger of expecting nothing is that, in the end, it might be all we'll get. (223)

Prices drive the placebo effect. (236) Cheating is a lot easier when it's a step removed from money. (297) We can rationalize our dishonesty when it is one step away from cash. (300) When we deal with money, we are primed to think about our actions as if we had just signed an honor code. But look at the latitude we have with nonmonetary exchanges. (307)

When people order out loud in sequence, they choose differently from when they order in private. (313) People are sometimes willing to sacrifice the pleasure they get from a particular consumption experience in order to project a certain image to others. (315)

Delayed gratification approach: Providing benefits for parties involved doesn't have to be without cost as long as these mechanisms provide more benefits than costs. (320)