



# **The Upside of Irrationality: The Unexpected Benefits of Defying Logic at Work and at Home**

*Dan Ariely*

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# The Upside of Irrationality: The Unexpected Benefits of Defying Logic at Work and at Home

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**The Upside of Irrationality: The Unexpected Benefits of Defying Logic at Work and at Home** Dan Ariely

The provocative follow-up to the *New York Times* bestseller *Predictably Irrational*

Why can large bonuses make CEOs less productive?

How can confusing directions actually help us?

Why is revenge so important to us?

Why is there such a big difference between what we *think* will make us happy and what *really* makes us happy?

In his groundbreaking book *Predictably Irrational*, social scientist Dan Ariely revealed the multiple biases that lead us into making unwise decisions. Now, in *The Upside of Irrationality*, he exposes the surprising negative and positive effects irrationality can have on our lives. Focusing on our behaviors at work and in relationships, he offers new insights and eye-opening truths about what really motivates us on the job, how one unwise action can become a long-term habit, how we learn to love the ones we're with, and more.

Drawing on the same experimental methods that made *Predictably Irrational* one of the most talked-about bestsellers of the past few years, Ariely uses data from his own original and entertaining experiments to draw arresting conclusions about how—and why—we behave the way we do. From our office attitudes, to our romantic relationships, to our search for purpose in life, Ariely explains how to break through our negative patterns of thought and behavior to make better decisions. *The Upside of Irrationality* will change the way we see ourselves at work and at home—and cast our irrational behaviors in a more nuanced light.

## The Upside of Irrationality: The Unexpected Benefits of Defying Logic at Work and at Home Details

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## Iman Nazari says

## Hamidreza Amiri says

## David says

I had a sufficiently positive impression of Dan Ariely from his first book, *Predictably Irrational*, to be willing to give this one a try. My residual impression from the earlier book was of a smart, likable guy, with a knack for designing clever experiments to capture the irrational side of human behavior, particularly when making decisions with economic consequences. This area of investigation has risen to prominence over the past 5 to 10 years, there is now a flood of titles on the market, which shows no sign of abating in the foreseeable future. *Predictably Irrational* holds up well against the competition: it covers a lot of ground in reasonably concise fashion, and is quite readable. Each chapter's primary message is grounded in, and illustrated by, specific experiments conducted by Ariely and colleagues, and this is the book's particular strength.

Given the strength of Ariely's first book, and the relatively short interval since its publication, it would be truly surprising if this second book reached the same high standard. "Sophomore slump" is a real phenomenon (just a manifestation of what statisticians would call "regression to the mean") and Professor Ariely is not immune to its effects. A reviewer predisposed to be critical of the author might argue that this is a sequel that is short on substance, presenting results that are either

- (i) blindingly obvious (e.g. that people need to believe their work is meaningful to feel motivated),
- (ii) needless and not particularly illuminating amplification of ideas already presented in the first book (overvaluing of ownership and the power of anchoring), or,
- (iii) material presented previously, and better, by other authors.

That assessment seems unduly harsh to me - the sequel shares some of the positive qualities of the original - primarily Ariely's clear and engaging style, which guarantees readability at the very least. Unfortunately, an engaging style doesn't quite make up for some of the book's obvious weaknesses. The material in the earlier book was fascinating because most of the results were surprising -- counterintuitive or non-obvious -- but the experimental work was strong enough to be persuasive. The experimental foundation of the work discussed in the second book is noticeably weaker across the board, at times barely rising about the level of anecdotal

data, with the author displaying a regrettable propensity to issue pronouncements of a general nature solely on the basis of his own personal experience. Even if one disregards the relative weakness of the empirical evidence to support them, claims made in the second book are simply not as interesting as the earlier work - either they are immediately obvious, or restatements of material likely to be familiar to anyone who has done any prior reading in this general area.

Finally, there is the unavoidable impression that a significant portion of the material is nothing more than padding (the book is studded with space-filling sidebars that are notably lacking in content: examples include a one-page explanation of the myth of Sisyphus, complete with stick-figure diagram, a verbatim transcript of an online rant about the 2008 banking bailout, graphs that were superfluous, cartoonish, or both). The most egregious padding is Ariely's inclusion of what seems like an endless stream of personal anecdotes from his own life, a feature that severely tests the reader's patience and is an implicit acknowledgement that this is a book based primarily on anecdotal evidence, rather than hard science.

With these caveats in mind, I quite enjoyed the book. But I can't give it a resounding endorsement. Instead, I would steer readers to:

Predictably Irrational , Stumbling on Happiness and Nudge . Cumulatively they afford an accessible account of the same material that is more thorough and more rigorous than that in Professor Ariely's somewhat disappointing sophomore effort.

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## Loy Machedo says

Loy Machedo's Book Review - The Upside of Irrationality by Dan Ariely

There have a couple of books on Behavioral Economics that I have read over the last 2 years. A few of my favorites being:

1. Thinking, Fast and Slow by Daniel Kahneman,
2. Freakonomics: A Rogue Economist Explores the Hidden Side of Everything (P.S.) by Steven D. Levitt and Stephen J. Dubner,
3. SuperFreakonomics: Global Cooling, Patriotic Prostitutes, and Why Suicide Bombers Should Buy Life Insurance by Steven D. Levitt and Stephen J. Dubner
4. The Power of Habit: Why We Do What We Do in Life and Business by Charles Duhigg,
5. Influence: Science and Practice by Robert B. Cialdini,
6. How We Decide by Jonah Lehrer,
7. The Undercover Economist by Tim Harford
8. Buyology: Truth and Lies About Why We Buy by Martin Lindstrom and Paco Underhill
9. Why We Buy: The Science of Shopping--Updated and Revised for the Internet, the Global Consumer, and Beyond by Paco Underhill
10. Nudge: Improving Decisions About Health, Wealth, and Happiness by Richard H. Thaler and Cass R. Sunstein (didn't like this one though)

But I have to admit, Predictably Irrational by Dan Ariely was the 1st. And what's more, it was the 1st book review I had ever written. So yeah, it does bring back memories and this makes Dan's book an honor to be read and reviewed again.

In this book, Dan Ariely, I feel, starts off where he left off previously. But what gives this book the magnetic charm is the personalized narrative of the authors life, the openness of his feelings, the horrible memories of his recovery period (having suffered 3rd degree burns), the silly humor and yes, the slight hint of sarcasm the author has towards his fellow bankers, economists and intellectuals.

However, as opposed to Predictably Irrational it doesn't provide any new insights. As other reviewers have already mentioned, some of the experiments in this book are rather questionable. Just to cite one example, Ariely argues that high bonuses are not effective because when high stakes are involved people get nervous, and therefore, their performance drops. He "proves" that by offering three different winning prizes (a small, medium and large bonuses) to random people to play various games. In this experiment, the performance of the player dropped as the amount of the bonuses was higher. Therefore, Ariely argues, big bonuses are not the best way to provide incentives to workers. (This only applies to cognitive tasks, and not to, for instance, laying brick, where the bigger the bonuses the harder people work). So can this hypothesis be sufficient to make a global theory?

Ariely then peppers the second half of the book - which focuses on personal issues of irrationality - with stories of his experiences following a horrendous accident he suffered as a teenager.

Here are brief summaries of the chapters.

1. Paying more for less:

Why big bonuses do not always work - the bonus structure that raises the performance of physical work often freezes out knowledge workers.

2. The Meaning of Labor:

What Legos can teach us about the joy of work - how work defines us and the value we place on that definition. There are deep reasons why everyone's baby is the most beautiful in the world.

3. The IKEA effect:

Why we overvalue what we make - the behavioral realities of 'sunk effort' and how to make products and services more sticky by stealing from Betty Crocker.

4. The Not-Invented-Hear bias:

Why my ideas are better than yours - an examination of author bias and the behaviors behind executive, expert and management hubris in the workplace.

5. The Case for Revenge:

What makes us seek justice - it is more than a dish best served cold. In fact revenge is a very powerful force in business.

6. On Adaptation:

Why we get used to things, but not all things and not always - provides a fascinating study of the behavioral economics of change that helps you understand why traditional change management does not work.

7. Hot or Not?

Adaptation, assertive mating and the beauty market - if you always thought it was a jungle out there, you were right and this chapter talks about the realities of how you seek and form lasting social relationships.

8. When a market fails:

An example from online dating - a fascinating look at how the most sophisticated technology and psychographics cannot resolve a fundamentally flawed market structure.

#### 9. One Empathy and Emotion:

Why we respond to one person who needs help, but not to many - explains the rational and reality behind how to mobilize people and their resources and why the American Cancer Society is so effective.

#### 10. Long Term and Short Term Emotions:

Why we shouldn't act on our negative feelings - the reasons and science behind why it really is best to sleep on it.

#### 11. Lessons form our Irrationalities:

Why we need to test everything - provides a framework and way of thinking to get your rationality back.

Why you may love this book:

1. The book has kept the structure and formula that made Predictably Irrational successful. If you liked that book, then you will like this one.
2. The book is backed by real research and the author is not afraid to show you how they tested these ideas, the results and their assumed implications.
3. The writing style is personal and candid. Many a times you will feel as if Ariely is explaining the ideas of this book to you over a conversation without it getting stale or too academic.

Why you may not like this book:

1. The book can drag in places - as you will go through the same structure for chapter after chapter.
2. The experiments, while interesting, involve college students (MIT and Harvard mostly) working for relatively trivial sums of money. This raises an issue of applicability in a bigger business setting.
3. Once you read a few books in this genre of Behavioral Economics and then come back to Predictably Irrational, you will find most of the research repetitive

#### Honorable Mention

I loved the chapter on his Audi experience (loved the revenge strategy he adopted), the chapter on online dating, and most importantly, the honesty that poured out each page. It made me feel as if I was with him at a bar exchanging interesting bits of information.

#### Moment of Truth

The book is very easy to read. It is written in a conversational style. I feel Dan has the rare gift to take a complex subject and present it in easy to understand concepts - effective in terms of understanding and retention. My only bone of contention being it got a little boring at times and yes most of the experiments were kind of long drawn.

#### Overall Ratings

6.5 out of 10

Loy Machedo

loymachedo.com

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Dan Ariely is one of my favorite non-fiction writers, so I was excited to find out that he'd come out with a new book, *The Upside of Irrationality*, and frustrated that I had to wait so long for it to be available at my library. But it finally came in, and I tore through it in two or three days.

The first half of the book relates roughly to irrationalities in the work world. The first chapter, "Paying More for Less: Why Big Bonuses Don't Always Work" explains that, contrary to our intuitions and all CEO bonus plans, bigger bonuses don't improve performance for anything other than simple mechanical tasks. It's a topic that's been covered at length by Dan Pink in his book *Drive*. Other topics I was less familiar with: chapters three and four describe how we value (or even overvalue) objects and ideas when we've made them ourselves. That's why you're so attached to your amateurish IKEA bookshelf or shaky watercolor, or why you're much more likely to endorse an idea when you've thought of it yourself. (Or when you *think* you've thought of it yourself, as salespeople have known for ages.) In this first section, Ariely also tackles revenge (companies could save a lot of money if they really understood the value of a sincere apology) and meaningful work (even well-compensated people will get depressed if you ignore their work or make it appear useless).

Also in the second half, Ariely discusses the dating market. He explains why attractive people tend to date other attractive people, but less attractive people tend to value other qualities, like "sense of humor." He also shows how online dating doesn't at all account for human limitations or tendencies. As an experiment: get your friends and acquaintances to describe themselves in the check-box-like manner of dating sites and see if you can figure out, just based on those criteria, which ones you like and which ones you don't. People tend to connect best when they're sharing experiences rather than just talking about themselves.

Ariely also describes how we're much more likely to respond to the concrete need of one person, especially someone close to us, than the abstract need of many. (Compare how much money you'd give to a neighbor with cancer who lost his job compared to millions of kids with malaria in Africa.) He also discusses how our

emotions affect our decisions, and how these decisions can impact us long after the emotion has faded away. (Imagine you're in a good mood and bring flowers to your mother-in-law's. The next time you visit, you may bring flowers again, because you've set the precedent. Sadly, this also works for decisions made under the impact of negative emotions.)

All told, I loved this book, as I expected I would. Ariely's a great writer, and I love reading about behavioral economics and human irrationalities. A great read.

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## **Lester says**

I have read the three books by Dan Ariely, *Predictably Irrational*, *The Upside of Irrationality* and *The Honest Truth About Dishonesty*. After reading all the three books, I have this feeling that the examples used, the experiments mentioned and some of the themes are starting to repeat in different places. Maybe there is a limit to what an author can write or give in terms of contents. After all we are all humans.

I give a four star rating for *Predictably Irrational* and *The Honest Truth About Dishonesty*. For the *Upside of Irrationality*, I only give it a three star because (1) the description on the various experiments is less (2) there are rather a lot of personal experiences together with stories supporting the author's viewpoint, rendering it less scientific (3) the themes and conclusions look a bit obvious and rather thin.

Looking at some of the reviews inside Amazon, I have found that some people questioned about the validity or robustness of the experiments. Some may have different interpretations on the results of the experiments. Nevertheless I still found most of the themes echoing with my experience.

The field of behavioural science and behavioural economics has flourished in these days. People like Steven Levitt, Dan Ariely, Richard Wiseman, Barry Schwartz have taken their turns in writing books in these areas. Personally I enjoy reading all these not only because they are easily accessible and readable to a layman like me, but by reading them we can all learn and reflect on our own behaviour.

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## **David says**

I thoroughly enjoyed Ariely's previous book *Predictably Irrational: The Hidden Forces That Shape Our Decisions*, and this book is excellent as well. There are many "pop-psychology" books on the market these days, but one thing sets this book off from the rest. Rather than simply reporting on the research of others, the author himself conducted the many psychology experiments described in his book. This gives the book an aura of authenticity, because it describes research *in the first person*. The author clearly describes the motivations behind his experiments. Sometimes the experiments gave unanticipated results--and this was interesting, too! Ariely does not try to hide the results that contradict his hypotheses; instead, he uses these results as a stepping stone to additional experiments and research.

Ariely covers a wide range of topics, and each topic is intensely interesting. He explores how small pay bonuses can motivate someone to do a job a little better--but large bonuses can fail to produce proportionately better results. Ariely shows how ironic it is, that scientific research into the efficacy of drugs is held in high regard, but research into the efficacy of business practices (like awarding bonuses) is disregarded simply because of the anti-intuitive findings. I found the chapter on revenge to be especially

interesting; why do people find revenge so necessary when they feel slighted? And why does a simple apology for a small slight work so well at mitigating revenge? Ariely's clever experiments shed a lot of light on these issues.

I did not give the book five stars, because I felt that the book devotes too much space to the author's traumas during his lengthy recovery from his injuries. Some additional editing would have been helpful.

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## **Moshe Mikanovsky says**

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## **Poonam says**

Since long I have wanted to add a gist of review of this book, chapter-wise so that I could look up later.

### **Part 1 - Work-related Irrationalities**

1. Big Bonuses don't work. (Which means CEO high salaries aren't quite logical.) Oh, but this is no way a bad news for your rewards and recognition program. Bonuses and reward should be just right, not too less that people do not care and not too much that enormity of reward at stake scares your people into failure.
2. Even though all of us work for a salary to make living. But we all like to find some meaning in the work. For example, if you are a writer who was paid well to research and complete the book, but if for some reason your book does not see light of the day, it is demotivating even if you were paid well for the job. Dan Ariely's team conducts experiments where they pay people to create Lego blocks. For the people, who saw their 'creation' being demolished right in front of them, they found it difficult to go on with work even though they were being paid. So, we all like to find meaning in our work.
3. Ikea furniture works because we overvalue what we ourselves make. We kind of take pride in our creations even if it be a simple origami. Ikea works its not too complicated and yet it gives your bask in that pride that comes when you create your own thing.
4. How sometimes we pass up great ideas because they weren't ours. We didn't think them. So many times, wise aegis is that make your bosses feel that the idea came from them.
5. Why revenge gives us pleasure? Why we punish when we feel things have been unjust. Creative ways customer seek revenge, for example, a viral video about a hotel's bad service. How sometimes apologies can be powerful.

### **Part 2 - Home-related irrationalities**

1. Human power of adaptation. Adaptation of pain. Or, adaption when your prized possessions no longer bring you happiness. How adaption can work for you.

2. On Dating. Hot or Not site, interesting dating patterns. Perception of beauty.
  3. More on online dating sites. How market fails.
  4. Empathy and emotion - strange phenomenon where we all set out in hordes to help pay for a single person but when it is a genocide or a tragedy involving hundreds and thousands, our capacity to charity sort of diminishes. The 'Drop-in-the-bucket-effect'.
  5. Long-term effect of short-term emotions such as anger, jealousy etc - how our decisions are impacted.
  6. Lessons from irrationalities - how we should test everything. In short, everything we do is not as logical as it may seem to us.
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## **Paul says**

Another good read from Dr. Ariely; however, I very much more enjoyed his first book (Predictably Irrational) over this one. Maybe I was in a more "critical" frame of mind when reading this, but a couple of the early chapters left me with some questions.

In Chapter 2, he discusses the concept of “contrafreeloading” and uses the example of the rat who, at the sign of a light signal, leaves a “free” bowl of food in favor of the lever that he must push to produce food, as well as his pet parrot, Jean Paul, who spends hours with her SeekaTreat uncovering food, despite the presence of “free” food.

One thing that I didn't quite understand (although, of course, I'm most certain that he accounted for it somehow) is how he ruled out the possibility that perhaps the rat was simply trying to maximize its food supply by going after the time-restricted food, knowing that the “free” food wasn't going anywhere, and that it would therefore have even more food for itself overall once the light goes off again. (Putting myself in the rat's position, as he suggested in that narrative, led me to exactly that possible train of thought.)

The same question can be posed in the case of Jean Paul—along with the question of how he was able to rule out the additional possibility that perhaps Jean Paul wasn't primarily after the food (although it was I'm sure a nice side effect for him), but rather was mainly seeking the mental stimulation of the activity during the long boring hours alone.

On another topic, in Chapter 3, he discusses the “Ikea Effect” and the additional value that we place on our own creations. He sets out in the beginning of the chapter to show, among other things, whether or not that value is based on sentimental attachment or on self-delusion. Using the first origami auction, he clearly shows that creators valued their creations more than the passersby, but admittedly, not what caused the disparity in the evaluations.

To that effect, he then went on to the second origami auction, which showed that non-creators valued professional-looking origami at levels similar to creators valuing their own creations, and much higher than non-creators valuing those amateur creations. The conclusion he recounted from that experiment was that “creators had a substantial bias when evaluating their own work” and that “creators saw their own work as

almost as good as the experts' origami".

Again, it might just be my own lack of understanding, but why is that the logical conclusion—how do those results necessarily rule out sentimental attachment in favor of self-delusion? What was it in that result set that pointed him specifically to self-delusion? Also, after completing the chapter, I was still left perplexed as to where in the chapter (or in the experiments) sentimental attachment was specifically ruled out. Perhaps the inflated values were in fact a result of mere sentimental attachment and the creators were in fact aware of the inferiority of their creations nonetheless?

In any case, it was still an enjoyable read, and I'd still recommend it (although, again, his first book seemed much better to me). Incidentally, I emailed him with these exact questions, so who knows—I might yet get those answers someday!

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## **Cat says**

I did NOT like this book. This is one of a long line of behavioral-economic-statistics books a la Tipping Point and Blink, but is not well written and comes late in the game. At times (many times) Dan Ariely uses "research" consisting of a handful of young people, collected from the not-so-diverse environment of his local Starbucks. He asks them to complete 5 min tasks and then makes widespread generalizations about human behavior. It seems as though the author is trying to cash in on American's trend of eating up books on this subject. Fail.

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## **Trevor says**

It is possible that I give far too many books five stars. Oh well.

There is a lovely bit in Bright-sided: How the Relentless Promotion of Positive Thinking Has Undermined Americawhere Barbara is at a conference of those who would have us wear badges with smiley-faces stuck in our lapels were they discussed if 'Positive Thinking' might not be a brand that has a bit of a smell about it. Time to rebrand, perhaps? Re-branding is, after all, the solution to all of the world's ills (why they haven't changed the name of the Iraq War by now is one of the world's great mysteries) This is when someone, in all seriousness, in the audience suggested renaming Positive Thinking something modern and snappy like Applied Behavioural Economics.

Behavioural Economics has become very popular. The number of books on the subject has exploded and doesn't really look like slowing down any. Some of these books, like SuperFreakonomics: Global Cooling, Patriotic Prostitutes And Why Suicide Bombers Should Buy Life Insurance, might make you question the worth of continuing the brand, but not Mr Ariely's books – his blogs are a constant joy and this book, although quite different from his last book, Predictably Irrational: The Hidden Forces That Shape Our Decisions, is also well worth reading.

I'm gong to be brutally honest, this book is not nearly as good as his first one. The ratio of facts to the page has decreased and the ideas in this one aren't nearly as blindingly interesting as some of the ideas in his first. For instance, I have frequently told people over the years about the masturbation Vs decision making experiment described in his first book. I have also told people about the idea of paying your mother-in-law

for her Thanks Giving dinner. These are endlessly fascinating experiments that tell us fundamental truths about being humans. The experiments detailed in this book are a bit more obvious. Nevertheless, they do get the reader to think and getting to think is a good part of the reason why one reads in the first place.

If I was feeling cruel I think I would say that Behavioural Economics is a series of fascinating ideas in search of an over-arching theory. Its basic problem is that it is a bit like Atheism – it is essentially oppositional. There is nothing wrong with that, per se, but being purely oppositional can become tedious.

So, what does Behavioural Economics stand in opposition to? The simple answer is Rational Economics. Rational Economics is the view that people always act according to their best interests. When confronted with choices they always decide on the one that best meets their needs. Rational Economics confounds freedom with choice and ignores emotion entirely. Rational Economics also confounds motivation with incentives. But Rational Economics also provides the basis on which we build many of the theories that structure how we think about the economy as a whole – particularly around notions of the free market. The idealised ‘homo-economicus’, the rational individual who decides what is in their best interest and always acts according to the dictates of their reason, like Kantian clones, who lives at the foundation of Rational Economics simply does not exist. Books by Behavioural Economists tend to detail groups of experiments where people are forced to make decisions and how they invariably make decisions that are clearly not in their long term (or even immediate) interests and this is normally because people are notoriously bad at making decisions and are prone to all manner of predictable biases.

This book is much more ‘personal’ than his previous one. Ariely has suffered horribly in life and he uses his experiences of unspeakable pain as a way to explain some of the ideas necessary in this book. This is highly effective and in line with what he has to say in chapter nine on why we are more likely to be affected by the misery of one person (little girl down a well) or people close to us (those killed in 9/11) than to the misery of lots of people we don't know (AIDS sufferers in Africa, for instance). There is a very disturbing table in this book outlining the amount of money directed at various human tragedies and the number of ‘victims’ of each of these – the table shows that something over \$2,500,000,000 has been directed at people affected by 9/11 while maybe \$200,000,000 has been directed at people suffering from AIDS. A comparison of the number of victims is very disturbing – with less than a tenth of the money going to AIDS sufferers and the victims of 9/11 being measured in the thousands there are an estimated 40 million people suffering from AIDS.

More could have been done in this book to tie the ideas together and to match the title and show more of irrationality's ‘upside’. For instance, there is an interesting discussion on the fact that higher bonuses do not lead to better performance. In fact, there is evidence that the opposite is the case and that bonuses beyond a certain point diminish performance by being ‘distracting’. Another part of the book shows that people need to feel their work is meaningful. Yet another shows that people tend not to donate money to causes if they are given lots of statistics about the enormity of the problem. But all three of these ideas are intimately linked together and it would have been a good thing if they had been tied together in a way that highlighted the links. That is, by paying CEOs obscene amounts of money we are directing the ‘meaning’ of their work away from what it ought to be, i.e. building better companies, and focusing it on their own personal greed. People need meaning in their lives and structuring their work so that it is meaningful is the best way to increase their performance, which is also why we tend not to give money to ‘save the planet’ causes as much as we give to find Snuggles, the lost puppy charities. We need to see results for there to be meaning and global warming, AIDS in Africa and the rest are just too huge and our efforts too tiny in comparison. Humans seek meaning - meaning is what matters and is the link that holds most of Behavioural Economics together. The problem is that sometimes how we make meaning of the world is either self-serving or flawed due to predictable biases we have. The task is to find new ways to make meanings that avoid these biases.

This review is sounding like I didn't like the book, but that is really not the case. I enjoyed this book very much and even though some of it is very confronting (the last chapter on how his doctors saved his arm and whether this was a good or bad thing is, to use an Americanism, in your face) I think the ideas contained in it are very important and I think he has successfully, and not gratuitously, used his life to illuminate his meaning.

I am concerned that we will learn nothing from the Global Financial Crisis. Those who own our media and who run our companies are the same people who profit the most from our doing nothing to change the system. There was a real danger that the \$700 billion that was poured into the banks to save Capitalism by the US taxpayers might have disappeared without so much as a gurgling sound. It frightens me that all attempts to increase regulation and to impose restrictions on speculation (such as a Robin Hood Tax <http://www.youtube.com/watch?v=qYtNwm...>) have been met with either silence or derision.

At the start of this book Ariely mentions his talking to CEOs about the results of experiments he ran on the negative consequences of paying people huge bonuses, how large bonuses actually reduce performance – the CEOs essentially said that the results of his experiments simply did not apply to them and applied only to we lesser mortals. I think it is going to take more than a letter writing campaign explaining the negative effects of huge bonuses to those who benefit most from obscene bonuses to stop these bonuses being paid. If we want to stop them being paid, asking CEOs to make that decision off their own bat is probably the least likely way of achieving it. If only we lived in a democracy – then people would be able to vote and to decide on laws that could restrict such naked self-interest and appalling greed. But I'm sure the idea of democracy will never catch on. Which is obviously a pity, really.

If Behavioural Economics is ever going to be more than just oppositional, I think it will need to more closely align itself to overtly democratic principles – Rational Economics has nailed its colours to the mast of Aristocracy or Plutocracy and believes in the maxim of increasingly unequal distribution of the goods of society as the prime motivator towards higher production. There are some hints that Behavioural Economics might provide some hope of showing the benefits of more egalitarian modes of distribution. I think if that is the case then Behavioural Economics may have more to offer than what it does today, a series of often disconnected even if fascinatingly interesting experiments.

I still recommend you read this book.

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## **Jill says**

Ariely writes about behavioral economics: "We don't assume that people are perfectly sensible, calculating machines. Instead, we observe how people actually behave, and quite often our observations lead us to the conclusion that human beings are irrational."

No one ever admits to being irrational, yet we frequently witness irrational behavior in others. After reading the book, I'll have to begrudgingly admit that I'm not perfectly rational either !

Throughout the 11 chapters of the book, various premises are tested by designing some easy to measure field tests which challenge our assumptions about behavior. The book is segregated into two sections - the first on "Ways we Defy Logic at Work" (Chapters 1 through 5) and "Ways We Defy Logic at Home" (Chapters 6 through 10).

In Chapter 1, Ariely discusses the banking meltdown of 2008 and posits that huge bonuses don't work to incent better performance. There is plenty of actual and anecdotal evidence to support this idea. In Chapter 2, he discusses various situations and experiments that demonstrate how important it is to each of us to imbue meaning in our work and to have meaningful work. There is a deep interconnection between identity and labor. Chapter 3, "The Ikea Effect" describes why we are so much more attached to things that we helped to produce, rather than things we did not have a hand in - "labor begets love". The NIH (not invented here) syndrome is discussed in Chapter 4. The NIH factor is called the "toothbrush theory" - everyone wants one, everyone needs one, everyone has one, but no one wants to use anyone else's. Chapter 5 discusses the irrational behavior of revenge which is one of the deepest-seated instincts we have. Ariely wrote: "The threat of revenge can serve as an effective enforcement mechanism that supports social cooperation and order."

In Part II (defying logic at home), there are some very interesting chapters on adaptation - how we get used to things and rationalize both bad and good situations. The chapters on dating and online dating are quite fascinating. Chapters 9 and 10 cover empathy and emotion and why we are more motivated to donate to a single suffering individual than to a larger cause by which thousands or millions of people are affected.

The final chapter summarizes and encourages us to recognize the upside of irrationality: "some of the ways in which we are irrational are also what makes us wonderfully human."

"The Upside of Irrationality" is a very thought-provoking book written by a believable and articulate professional. Ariely has a very personal style, incorporating many incidents from his own life and his struggles with debilitating burn injuries in his youth that altered the course of his life and certainly affected his point of view. I highlighted many passages in my Kindle and suspect that I will be picking up this book again from time to time to reread the highlights.

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## **Miguel says**

This is definitely not "The Myth of Sisyphus" nor does it pretend to be. The main attraction of Ariely's books is Ariely himself. He is sort of a cuddly pop Montaigne who writes his persona constantly into the text. The author-persona --a self-deprecating, humorous Israeli-American academic who suffered a terrible accident in his youth-- weaves himself into the the different chapters about topics as diverse as the effectiveness of large bonuses to achieve better performance, revenge as a motivator in client-company interactions or our irrational affection toward objects we assemble ourselves.

I am a layman who is a fan of behavioral economics, so Ariely is preaching to the converted and I am therefore inclined to give a positive rating, although sometimes the fluffiness of a book that can be read in under five or six hours makes you long for such a brilliant author to wade into slightly more controversial territory or for his "author-character" to become a little more provocative. For example, the chapter on bonuses proves conclusively that higher stakes in many contexts can produce markedly worse performances. Fine. Point taken. But it is massively disingenuous to say that perhaps investment banks can avoid mega-catastrophes such as the 2008 meltdown by parceling out bonuses over a number of years or simply tucking them inside base compensation. The people who packaged, sold and bought mortgages as CDOs did not screw up because of anxiety induced by large bonuses. Many did so either cynically knowing these monstrosities would eventually blow up or simply not caring as long as fees rolled in. And Ariely knows it, but both his style and his content peddle "behavior-ec" as an ingenious quick-fix for human frailty when some of the issues he discusses actually deal with much thornier issues. In the bonus case, the real issue is whether the search for short-term gain by a handful of individuals in some organizations can lead to long-

term damage to society at large. This in turn requires the discussion of big, non-fluffy issues such as the effects of government regulation that cannot be resolved in nifty 15-page chapters. And this is the sort of "heavy" stuff you will definitely not find in this type of book.

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