

My further observation is that we are not only irrational, but *predictably irrational*—that our irrationality happens the same way, again and again. Whether we are acting as consumers, businesspeople, or policy makers, understanding how we are predictably irrational provides a starting point for improving our decision making and changing the way we live for the better.

This leads me to the real “rub” (as Shakespeare might have called it) between conventional economics and behavioral economics. In conventional economics, the assumption that we are all rational implies that, in everyday life, we compute the value of all the options we face and then follow the best possible path of action. What if we make a mistake and do something irrational? Here, too, traditional economics has an answer: “market forces” will sweep down on us and swiftly set us back on the path of righteousness and rationality. On the basis of these assumptions, in fact, generations of economists since Adam Smith have been able to develop far-reaching conclusions about everything from taxation and health-care policies to the pricing of goods and services.

But, as you will see in this book, we are really far less rational than standard economic theory assumes. Moreover, these irrational behaviors of ours are neither random nor senseless. They are systematic, and since we repeat them again and again, predictable. So, wouldn’t it make sense to modify standard economics, to move it away from naive psychology (which often fails the tests of reason, introspection, and—most important—empirical scrutiny)? This is exactly what the emerging field of behavioral economics, and this book as a small part of that enterprise, is trying to accomplish.