assume that our capacity for reasoning is limitless. By the same token the behavioral economics view, which acknowledges human deficiencies, is more depressing, because it demonstrates the many ways in which we fall short of our ideals. Indeed, it can be rather depressing to realize that we all continually make irrational decisions in our personal, professional, and social lives. But there is a silver lining: the fact that we make mistakes also means that there are ways to improve our decisions—and therefore that there are opportunities for "free lunches."

ONE OF THE main differences between standard and behavioral economics involves this concept of "free lunches." According to the assumptions of standard economics, all human decisions are rational and informed, motivated by an accurate concept of the worth of all goods and services and the amount of happiness (utility) all decisions are likely to produce. Under this set of assumptions, everyone in the marketplace is trying to maximize profit and striving to optimize his experiences. As a consequence, economic theory asserts that there are no free lunches—if there were any, someone would have already found them and extracted all their value.

Behavioral economists, on the other hand, believe that people are susceptible to irrelevant influences from their immediate environment (which we call context effects), irrelevant emotions, shortsightedness, and other forms of irrationality (see any chapter in this book or any research paper in behavioral economics for more examples). What good news can accompany this realization? The good news is that these mistakes also provide opportunities for improvement. If we all make systematic mistakes in our decisions, then why not develop