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| Cover Image | *Predictably Irrational, Revised and Expanded Edition* Dan Ariely  HarperCollins |

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# *119 notes/highlights*

*Created by Tarang Shah*  – Last synced June 17, 2016

## *Chapter 1*

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| |  |  |  | | --- | --- | --- | |  | *To better understand how relativity works, consider the following illustration: In the left side of this illustration we see two options, each of which is better on a different attribute. Option (A) is better on attribute 1—let’s say quality. Option (B) is better on attribute 2—let’s say beauty. Obviously these are two very different options and the choice between them is not simple. Now consider what happens if we add another option, called (-A) (see the right side of the illustration). This option is clearly worse than option (A), but it is also very similar to it, making the comparison between them easy, and suggesting that (A) is not only better than (-A) but also better than (B). In essence, introducing (-A), the decoy, creates a simple relative comparison with (A), and hence makes (A) look better, not just relative to (-A), but overall as well. As a consequence, the inclusion of (-A) in the set, even if no one ever selects it, makes people more likely to make (A) their final choice. Does this selection process sound familiar? Remember the pitch put together by the Economist ? The marketers there knew that we didn’t know whether we wanted an Internet subscription or a print subscription. But they figured that, of the three options, the print-and-Internet combination would be the offer we would take. Here’s another example of the decoy effect. Suppose you are planning a honeymoon in Europe. You’ve already decided to go to one of the major romantic cities and have narrowed your choices to Rome and Paris, your two favorites. The travel agent presents you with the vacation packages for each city, which includes airfare, hotel accommodations, sightseeing tours, and a free breakfast every morning. Which would you select?*  May 28, 2016 | [29](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA29.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *C AN WE DO anything about this problem of relativity? The good news is that we can sometimes control the “circles” around us, moving toward smaller circles that boost our relative happiness. If we are at our class reunion, and there’s a “big circle” in the middle of the room with a drink in his hand, boasting of his big salary, we can consciously take several steps away and talk with someone else. If we are thinking of buying a new house, we can be selective about the open houses we go to, skipping the houses that are above our means. If we are thinking about buying a new car, we can focus on the models that we can afford, and so on. We can also change our focus from narrow to broad. Let me explain with an example from a study conducted by two brilliant researchers, Amos Tversky and Daniel Kahneman. Suppose you have two errands to run today. The first is to buy a new pen, and the second is to buy a suit for work. At an office supply store, you find a nice pen for $25. You are set to buy it, when you remember that the same pen is on sale for $18 at another store 15 minutes away. What would you do? Do you decide to take the 15-minute trip to save the $7? Most people faced with this dilemma say that they would take the trip to save the $7. Now you are on your second task: you’re shopping for your suit. You find a luxurious gray pinstripe suit for $455 and decide to buy it, but then another customer whispers in your ear that the exact same suit is on sale for only $448 at another store, just 15 minutes away. Do you make this second 15-minute trip? In this case, most people say that they would not. But what is going on here? Is 15 minutes of your time worth $7, or isn’t it? In reality, of course, $7 is $7—no matter how you count it. The only question you should ask yourself in these cases is whether the trip across town, and the 15 extra minutes it would take, is worth the extra $7 you would save. Whether the amount from which this $7 will be saved is $10 or $10,000 should be irrelevant. This is the problem of relativity—we look at our decisions in a relative way and compare them locally to the available alternative. We compare the relative advantage of the cheap pen with the expensive one, and this contrast makes it obvious to us that we should spend the extra time to save the $7. At the same time, the relative advantage of the cheaper suit is very small, so we spend the extra $7. This is also why it is so easy for a person to add $200 to a $5,000 catering bill for a soup entrée, when the same person will clip coupons to save 25 cents on a one-dollar can of condensed soup. Similarly, we find it easy to spend $3,000 to upgrade to leather seats when we buy a new $25,000 car, but difficult to spend the same amount on a new leather sofa (even though we know we will spend more time at home on the sofa than in the car). Yet if we just thought about this in a broader perspective, we could better assess what we could do with the $3,000 that we are considering spending on upgrading the car seats. Would we perhaps be better off spending it on books, clothes, or a vacation? Thinking broadly like this is not easy, because making relative judgments is the natural way we think*  May 28, 2016 | [38](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA38.w.0.0.0.1.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *For sure, James has made a lot of money, and he sees even more money all around him. One of his good friends, in fact, is a founder of PayPal and is worth tens of millions. But Hong knows how to make the circles of comparison in his life smaller, not larger. In his case, he started by selling his Porsche Boxster and buying a Toyota Prius in its place. 7 “I don’t want to live the life of a Boxster,” he told the New York Times , “because when you get a Boxster you wish you had a 911, and you know what people who have 911s wish they had? They wish they had a Ferrari.” That’s a lesson we can all learn: the more we have, the more we want. And the only cure is to break the cycle of relativity.*  May 28, 2016 | [39](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA39.w.0.0.0.4) | |

## *Chapter 2*

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| |  |  |  | | --- | --- | --- | |  | *At the time there was no market for Tahitian black pearls, and little demand. But Brouillet persuaded Assael to go into business with him. Together they would harvest black pearls and sell them to the world. At first, Assael’s marketing efforts failed. The pearls were gunmetal gray, about the size of musket balls, and he returned to Polynesia without having made a single sale. Assael could have dropped the black pearls altogether or sold them at a low price to a discount store. He could have tried to push them to consumers by bundling them together with a few white pearls. But instead Assael waited a year, until the operation had produced some better specimens, and then brought them to an old friend, Harry Winston, the legendary gemstone dealer. Winston agreed to put them in the window of his store on Fifth Avenue, with an outrageously high price tag attached. Assael, meanwhile, commissioned a full-page advertisement that ran in the glossiest of magazines. There, a string of Tahitian black pearls glowed, set among a spray of diamonds, rubies, and emeralds. The pearls, which had shortly before been the private business of a cluster of black-lipped oysters, hanging on a rope in the Polynesian sea, were soon parading through Manhattan on the arched necks of the city’s most prosperous divas. Assael had taken something of dubious worth and made it fabulously fine. Or, as Mark Twain once noted about Tom Sawyer, “Tom had discovered a great law of human action, namely, that in order to make a man covet a thing, it is only necessary to make the thing difficult to attain.”*  May 28, 2016 | [41](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA41.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *our first decisions resonate over a long sequence of decisions. First impressions are important, whether they involve remembering that our first DVD player cost much more than such players cost today (and realizing that, in comparison, the current prices are a steal) or remembering that gas was once a dollar a gallon, which makes every trip to the gas station a painful experience. In all these cases the random, and not so random, anchors that we encountered along the way and were swayed by remain with us long after the initial decision itself.*  May 28, 2016 | [51](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA51.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *When Howard Shultz created Starbucks, he was as intuitive a businessman as Salvador Assael. He worked diligently to separate Starbucks from other coffee shops, not through price but through ambience. Accordingly, he designed Starbucks from the very beginning to feel like a continental coffeehouse. The early shops were fragrant with the smell of roasted beans (and better-quality roasted beans than those at Dunkin’ Donuts). They sold fancy French coffee presses. The showcases presented alluring snacks—almond croissants, biscotti, raspberry custard pastries, and others. Whereas Dunkin’ Donuts had small, medium, and large coffees, Starbucks offered Short, Tall, Grande, and Venti, as well as drinks with high-pedigree names like Caffè Americano, Caffè Misto, Macchiato, and Frappuccino. Starbucks did everything in its power, in other words, to make the experience feel different—so different that we would not use the prices at Dunkin’ Donuts as an anchor, but instead would be open to the new anchor that Starbucks was preparing for us. And that, to a great extent, is how Starbucks succeeded.*  May 28, 2016 | [54](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA54.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Do you remember the famous episode in The Adventures of Tom Sawyer , the one in which Tom turned the whitewashing of Aunt Polly’s fence into an exercise in manipulating his friends? As I’m sure you recall, Tom applied the paint with gusto, pretending to enjoy the job. “Do you call this work?” Tom told his friends. “Does a boy get a chance to whitewash a fence every day?” Armed with this new “information,” his friends discovered the joys of whitewashing a fence. Before long, Tom’s friends were not only paying him for the privilege, but deriving real pleasure from the task—a win-win outcome if there ever was one. From our perspective, Tom transformed a negative experience to a positive one—he transformed a situation in which compensation was required to one in which people (Tom’s friends) would pay to get in on the fun. Could we do the same? We thought we’d give it a try.*  May 28, 2016 | [54](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA54.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Much like Tom Sawyer, then, I was able to take an ambiguous experience (and if you could hear me recite poetry, you would understand just how ambiguous this experience is) and arbitrarily make it into a pleasurable or painful experience. Neither group of students knew whether my poetry reading was of the quality that is worth paying for or of the quality that is worth listening to only if one is being financially compensated for the experience (they did not know if it is pleasurable or painful). But once the first impression had been formed (that they would pay me or that I would pay them), the die was cast and the anchor set. Moreover, once the first decision had been made, other decisions followed in what seemed to be a logical and coherent manner. The students did not know whether listening to me recite poetry was a good or bad experience, but whatever their first decision was, they used it as input for their subsequent decisions and provided a coherent pattern of responses across the three poetry readings*  June 1, 2016 | [56](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA56.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Mark Twain came to the same conclusions: “If Tom had been a great and wise philosopher, like the writer of this book, he would now have comprehended that work consists of whatever a body is obliged to do, and that play consists of whatever a body is not obliged to do.” Mark Twain further observed: “There are wealthy gentlemen in England who drive four-horse passenger-coaches twenty or thirty miles on a daily line in the summer because the privilege costs them considerable money; but if they were offered wages for the service, that would turn it into work, and then they would resign.” \**  May 28, 2016 | [57](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA57.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *These questions may be tough nuts to crack, but in terms of our personal lives, we can actively improve on our irrational behaviors. We can start by becoming aware of our vulnerabilities. Suppose you’re planning to buy a cutting-edge cell phone (the one with the three-megapixel, 8× zoom digital camera), or even a daily $4 cup of gourmet coffee. You might begin by questioning that 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? Could you cut back a little and better spend the remaining money on something else? With everything you do, in fact, you should train yourself to question your repeated behaviors. In the case of the cell phone, could you take a step back from the cutting edge, reduce your outlay, and use some of the money for something else? And as for the coffee—rather than asking which blend of coffee you will have today, ask yourself whether you should even be having that habitual cup of expensive coffee at all. \* We should also pay particular attention to the first decision we make in what is going to be a long stream of decisions (about clothing, food, etc.). When we face such a decision, it might seem to us that this is just one decision, without large consequences; but in fact the power of the first decision can have such a long-lasting effect that it will percolate into our future decisions for years to come. Given this effect, the first decision is crucial, and we should give it an appropriate amount of attention. Socrates said that the unexamined life is not worth living. Perhaps it’s time to inventory the imprints and anchors in our own life. Even if they once were completely reasonable, are they still reasonable? Once the old choices are reconsidered, we can open ourselves to new decisions—and the new opportunities of a new day. That seems to make sense.*  May 28, 2016 | [58](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA58.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *A LL THIS TALK about anchors and goslings has larger implications than consumer preferences, however. Traditional economics assumes that prices of products in the market are determined by a balance between two forces: production at each price (supply) and the desires of those with purchasing power at each price (demand). The price at which these two forces meet determines the prices in the marketplace. This is an elegant idea, but it depends centrally on the assumption that the two forces are independent and that together they produce the market price. The results of all the experiments presented in this chapter (and the basic idea of arbitrary coherence itself ) challenge these assumptions. First, according to the standard economic framework, consumers’ willingness to pay is one of the two inputs that determine market prices (this is the demand). But as our experiments demonstrate, what consumers are willing to pay can easily be manipulated, and this means that consumers don’t in fact have a good handle on their own preferences and the prices they are willing to pay for different goods and experiences. Second, whereas the standard economic framework assumes that the forces of supply and demand are independent, the type of anchoring manipulations we have shown here suggest that they are, in fact, dependent. In the real world, anchoring comes from manufacturer’s suggested retail prices (MSRPs), advertised prices, promotions, product introductions, etc.—all of which are supply-side variables. It seems then that instead of consumers’ willingness to pay influencing market prices, the causality is somewhat reversed and it is market prices themselves that influence consumers’ willingness to pay. What this means is that demand is not, in fact, a completely separate force from supply.*  May 28, 2016 | [59](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA59) | |

## *Chapter 3*

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| |  |  |  | | --- | --- | --- | |  | *When we set the price of a Lindt truffle at 15 cents and a Kiss at one cent, we were not surprised to find that our customers acted with a good deal of rationality: they compared the price and quality of the Kiss with the price and quality of the truffle, and then made their choice. About 73 percent of them chose the truffle and 27 percent chose a Kiss. Now we decided to see how FREE ! might change the situation. So we offered the Lindt truffle for 14 cents and the Kisses free. Would there be a difference? Should there be? After all, we had merely lowered the price of both kinds of chocolate by one cent. But what a difference FREE ! made. The humble Hershey’s Kiss became a big favorite. Some 69 percent of our customers (up from 27 percent before) chose the FREE ! Kiss, giving up the opportunity to get the Lindt truffle for a very good price. Meanwhile, the Lindt truffle took a tumble; customers choosing it decreased from 73 to 31 percent.*  June 1, 2016 | [65](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA65.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *The critical issue arises when FREE ! becomes a struggle between a free item and another item—a struggle in which the presence of FREE ! leads us to make a bad decision*  June 1, 2016 | [65](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA65.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *W HAT IS IT about FREE ! that’s so enticing? Why do we have an irrational urge to jump for a FREE ! item, even when it’s not what we really want? I believe the answer is this. Most transactions have an upside and a downside, but when something is FREE ! we forget the downside. FREE ! gives us such an emotional charge that we perceive what is being offered as immensely more valuable than it really is. Why? I think it’s because humans are intrinsically afraid of loss. The real allure of FREE ! is tied to this fear. There’s no visible possibility of loss when we choose a FREE ! item (it’s free). But suppose we choose the item that’s not free. Uh-oh, now there’s a risk of having made a poor decision—the possibility of a loss. And so, given the choice, we go for what is free. For this reason, in the land of pricing, zero is not just another price. Sure, 10 cents can make a huge difference in demand (suppose you were selling millions of barrels of oil), but nothing beats the emotional surge of FREE ! This, the zero price effect , is in a category all its own*  June 1, 2016 | [67](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA67.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *S O DO YOU think you have a handle on FREE !? OK. Here’s a quiz. Suppose I offered you a choice between a free $10 Amazon gift certificate and a $20 gift certificate for seven dollars. Think quickly. Which would you take? If you jumped for the FREE ! certificate, you would have been like most of the people we tested at one of the malls in Boston. But look again: a $20 gift certificate for seven dollars delivers a $13 profit. That’s clearly better than getting a $10 certificate free (earning $10). Can you see the irrational behavior in action? \**  June 1, 2016 | [70](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA70.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *W HEN CHOOSING BETWEEN two products, then, we often overreact to the free one*  June 1, 2016 | [72](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA72.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *S O YOU CAN maintain the status quo with a 20-cent fee (as in the case of Amazon’s shipping in France), or you can start a stampede by offering something FREE ! Think how powerful that idea is! Zero is not just another discount. Zero is a different place. The difference between two cents and one cent is small. But the difference between one cent and zero is huge! If you are in business, and understand that, you can do some marvelous things. Want to draw a crowd? Make something FREE ! Want to sell more products? Make part of the purchase FREE !*  June 1, 2016 | [74](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA74) | |

## *Chapter 4*

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| |  |  |  | | --- | --- | --- | |  | *we live simultaneously in two different worlds—one where social norms prevail, and the other where market norms make the rules. The social norms include the friendly requests that people make of one another. Could you help me move this couch? Could you help me change this tire? Social norms are wrapped up in our social nature and our need for community. They are usually warm and fuzzy. Instant pay-backs are not required: you may help move your neighbor’s couch, but this doesn’t mean he has to come right over and move yours. It’s like opening a door for someone: it provides pleasure for both of you, and reciprocity is not immediately required. The second world, the one governed by market norms, is very different. There’s nothing warm and fuzzy about it. The exchanges are sharp-edged: wages, prices, rents, interest, and costs-and-benefits. Such market relationships are not necessarily evil or mean—in fact, they also include self-reliance, inventiveness, and individualism—but they do imply comparable benefits and prompt payments. When you are in the domain of market norms, you get what you pay for—that’s just the way it is. When we keep social norms and market norms on their separate paths, life hums along pretty well*  June 1, 2016 | [77](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA77.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Did these participants work less than the ones who got the low monetary payment—or, in the absence of money, did they apply social norms to the situation and work harder? The results showed that on average they dragged 168 circles, much more than those who were paid 50 cents, and just slightly more than those who were paid five dollars. In other words, our participants worked harder under the nonmonetary social norms than for the almighty buck (OK, 50 cents).*  June 1, 2016 | [80](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA80.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *There are many examples to show that people will work more for a cause than for cash.*  June 1, 2016 | [80](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA80.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *When money was mentioned, the lawyers used market norms and found the offer lacking, relative to their market salary. When no money was mentioned they used social norms and were willing to volunteer their time. Why didn’t they just accept the $30, thinking of themselves as volunteers who received $30? Because once market norms enter our considerations, the social norms depart*  June 1, 2016 | [80](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA80.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *The sensei (the master teacher) was not charging the group for the training. The students, feeling that this was unfair, approached the master one day and suggested that they pay him for his time and effort. Setting down his bamboo shinai , the master calmly replied that if he charged them, they would not be able to afford him*  June 1, 2016 | [80](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA80.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *The conclusion: no one is offended by a small gift, because even small gifts keep us in the social exchange world and away from market norms.*  June 1, 2016 | [82](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA82) | |

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| |  |  |  | | --- | --- | --- | |  | *People are willing to work free, and they are willing to work for a reasonable wage; but offer them just a small payment and they will walk away. Gifts are also effective for sofas, and offering people a gift, even a small one, is sufficient to get them to help; but mention what the gift cost you, and you will see the back of them faster than you can say market norms.*  June 1, 2016 | [82](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA82.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *T HESE RESULTS SHOW that for market norms to emerge, it is sufficient to mention money (even when no money changes hands). But, of course, market norms are not just about effort—they relate to a broad range of behaviors, including self-reliance, helping, and individualism*  June 1, 2016 | [82](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA82.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Thinking about money, then, made the participants in the “salary” group more self-reliant and less willing to ask for help. But these participants were also less willing to help others. In fact, after thinking about money these participants were less willing to help an experimenter enter data, less likely to assist another participant who seemed confused, and less likely to help a “stranger” (an experimenter in disguise) who “accidentally” spilled a box of pencil*  June 1, 2016 | [83](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA83.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Indeed, just thinking about money makes us behave as most economists believe we behave—and less like the social animals we are in our daily lives*  June 1, 2016 | [84](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA84.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *S O WE LIVE in two worlds: one characterized by social exchanges and the other characterized by market exchanges. And we apply different norms to these two kinds of relationships. Moreover, introducing market norms into social exchanges, as we have seen, violates the social norms and hurts the relationships. Once this type of mistake has been committed, recovering a social relationship is difficult. Once you’ve offered to pay for the delightful Thanksgiving dinner, your mother-in-law will remember the incident for years to come. And if you’ve ever offered a potential romantic partner the chance to cut to the chase, split the cost of the courting process, and simply go to bed, the odds are that you will have wrecked the romance forever.*  June 1, 2016 | [84](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA84.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *This experiment illustrates an unfortunate fact: when a social norm collides with a market norm, the social norm goes away for a long time. In other words, social relationships are not easy to reestablish. Once the bloom is off the rose—once a social norm is trumped by a market norm—it will rarely return.*  June 1, 2016 | [85](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA85.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Whoever started the movement to treat customers socially had a great idea. If customers and a company are family, then the company gets several benefits. Loyalty is paramount. Minor infractions—screwing up your bill and even imposing a modest hike in your insurance rates—are accommodated. Relationships of course have ups and downs, but overall they’re a pretty good thing. But here’s what I find strange: although companies have poured billions of dollars into marketing and advertising to create social relationships—or at least an impression of social relationships—they don’t seem to understand the nature of a social relationship, and in particular its risks.*  June 1, 2016 | [86](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA86.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *If you’re a company, my advice is to remember that you can’t have it both ways. You can’t treat your customers like family one moment and then treat them impersonally—or, even worse, as a nuisance or a competitor—a moment later when this becomes more convenient or profitable. This is not how social relationships work. If you want a social relationship, go for it, but remember that you have to maintain it under all circumstances. On the other hand, if you think you may have to play tough from time to time—charging extra for additional services or rapping knuckles swiftly to keep the consumers in line—you might not want to waste money in the first place on making your company the fuzzy feel-good choice. In that case, stick to a simple value proposition: state what you give and what you expect in return. Since you’re not setting up any social norms or expectations, you also can’t violate any—after all, it’s just business.*  June 1, 2016 | [87](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA87.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Today companies see an advantage in creating a social exchange. After all, in today’s market we’re the makers of intangibles. Creativity counts more than industrial machines. The partition between work and leisure has likewise blurred. The people who run the workplace want us to think about work while we’re driving home and while we’re in the shower. They’ve given us laptops, cell phones, and BlackBerries to bridge the gap between the workplace and home*  June 1, 2016 | [88](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA88.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *Further blurring the nine-to-five workday is the trend in many companies to move away from hourly rates to monthly pay. In this 24/7 work environment social norms have a great advantage: they tend to make employees passionate, hardworking, flexible, and concerned. In a market where employ ees’ loyalty to their employers is often wilting, social norms are one of the best ways to make workers loyal, as well as motivated.*  June 1, 2016 | [88](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA88.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *There are social rewards that strongly motivate behavior—and one of the least used in corporate life is the encouragement of social rewards and reputation.*  June 1, 2016 | [89](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA89.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *If companies want to benefit from the advantages of social norms, they need to do a better job of cultivating those norms. Medical benefits, and in particular comprehensive medical coverage, are among the best ways a company can express its side of the social exchange.*  June 1, 2016 | [90](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA90) | |

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| |  |  |  | | --- | --- | --- | |  | *If corporations started thinking in terms of social norms, they would realize that these norms build loyalty and—more important—make people want to extend themselves to the degree that corporations need today: to be flexible, concerned, and willing to pitch in. That’s what a social relationship delivers.*  June 1, 2016 | [91](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA91) | |

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| |  |  |  | | --- | --- | --- | |  | *As we learned in our experiments, cash will take you only so far—social norms are the forces that can make a difference in the long run*  June 1, 2016 | [92](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA92.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *M ONEY, AS IT turns out, is very often the most expensive way to motivate people. Social norms are not only cheaper, but often more effective as well.*  June 1, 2016 | [93](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA93.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Burning Man has many extraordinary aspects, but for me one of the most remarkable is its rejection of market norms. Money is not accepted at Burning Man. Rather, the whole place works as a gift exchange economy—you give things to other people, with the understanding that they will give something back to you (or to someone else) at some point in the future. Thus, people who can cook might fix a meal. Psychologists offer free counseling sessions. Masseuses massage those lying on tables before them*  June 1, 2016 | [94](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA94.w.0.0.0.2) | |

## *Chapter 6*

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| |  |  |  | | --- | --- | --- | |  | *The road to hell, they say, is paved with good intentions. And most of us know what that’s all about. We promise to save for retirement, but we spend the money on a vacation. We vow to diet, but we surrender to the allure of the dessert cart. We promise to have our cholesterol checked regularly, and then we cancel our appointment. How much do we lose when our fleeting impulses deflect us from our long-term goals? How much is our health affected by those missed appointments and our lack of exercise? How much is our wealth reduced when we forget our vow to save more and consume less? Why do we lose the fight against procrastination so frequently?*  June 4, 2016 | [113](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA113) | |

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| |  |  |  | | --- | --- | --- | |  | *Without properly spaced deadlines—deadlines that would have forced the students to start working on their papers earlier in the semester—the final work was generally rushed and poorly written (even without the extra penalty of one percent off the grade for each day of delay). Interestingly, these results suggest that although almost everyone has problems with procrastination, those who recognize and admit their weakness are in a better position to utilize available tools for precommitment and by doing so, help themselves overcome it.*  June 4, 2016 | [117](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA117.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *the most obvious conclusion is that when an authoritative “external voice” gives the orders, most of us will jump to attention. After all, the students for whom I set the deadlines—for whom I provided the “parental” voice—did best. Of course, barking orders, while very effective, may not always be feasible or desirable. What’s a good compromise? It seems that the best course might be to give people an opportunity to commit up front to their preferred path of action*  June 4, 2016 | [118](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA118.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *the “ice glass” method for reducing credit card spending. It’s a home remedy for impulsive spending. You put your credit card into a glass of water and put the glass in the freezer. Then, when you impulsively decide to make a purchase, you must first wait for the ice to thaw before extracting the card. By then, your compulsion to purchase has subsided. (You can’t just put the card in the microwave, of course, because then you’d destroy the magnetic strip.)*  June 5, 2016 | [122](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA122.w.0.0.0.4) | |

## *Chapter 7*

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| |  |  |  | | --- | --- | --- | |  | *The High Price of Ownership Why We Overvalue What We Have*  June 7, 2016 | [127](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA127.w.0.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *What did we have? We had a group of students all hungry for a basketball ticket before the lottery drawing; and then, bang—in an instant after the drawing, they were divided into two groups—ticket owners and non–ticket owners. It was an emotional chasm that was formed, between those who now imagined the glory of the game, and those who imagined what else they could buy with the price of the ticket. And it was an empirical chasm as well—the average selling price (about $2,400) was sepa rated by a factor of about 14 from the average buyer’s offer (about $175*  June 7, 2016 | [131](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA131.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *O WNERSHIP PERVADES OUR lives and, in a strange way, shapes many of the things we do. Adam Smith wrote, “Every man [and woman]…lives by exchanging, or becomes in some measure a merchant, and the society itself grows to be what is properly a commercial society.” That’s an awesome thought*  June 7, 2016 | [131](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA131.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *The first quirk, as we saw in the case of the basketball tickets, is that we fall in love with what we already have.*  June 7, 2016 | [132](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA132.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *The second quirk is that we focus on what we may lose, rather than what we may gain. When we price our beloved VW, therefore, we think more about what we will lose (the use of the bus) than what we will gain (money to buy something else)*  June 7, 2016 | [132](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA132.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Our aversion to loss is a strong emotion, and as I will explain later in the book, one that sometimes causes us to make bad decisions*  June 7, 2016 | [133](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA133) | |

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| |  |  |  | | --- | --- | --- | |  | *The third quirk is that we assume other people will see the transaction from the same perspective as we do. We somehow expect the buyer of our VW to share our feelings, emotions, and memories.*  June 7, 2016 | [133](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA133.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *O WNERSHIP ALSO HAS what I’d call “peculiarities.” For one, the more work you put into something, the more ownership you begin to feel for it.*  For both physical things(self assembled furniture, etc) and for ideas/missions  June 7, 2016 | [133](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA133.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Another peculiarity is that we can begin to feel ownership even before we own something*  June 7, 2016 | [134](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA134) | |

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| |  |  |  | | --- | --- | --- | |  | *online auction*  June 7, 2016 | [134](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA134) | |

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| |  |  |  | | --- | --- | --- | |  | *Virtual ownership,” of course, is one mainspring of the advertising industry*  June 7, 2016 | [134](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA134.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Often, companies will have “trial” promotions.*  June 7, 2016 | [134](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA134.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *Another example of the same hook is the “30-day money-back guarantee.” If we are not sure whether or not we should get a new sofa, the guarantee of being able to change our mind later may push us over the hump so that we end up getting it. We fail to appreciate how our perspective will shift once we have it at home, and how we will start viewing the sofa—as ours—and consequently start viewing returning it as a loss.*  June 7, 2016 | [135](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA135.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *O WNERSHIP IS NOT limited to material things. It can also apply to points of view. Once we take ownership of an idea—whether it’s about politics or sports—what do we do? We love it perhaps more than we should. We prize it more than it is worth. And most frequently, we have trouble letting go of it because we can’t stand the idea of its loss.*  June 7, 2016 | [135](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA135.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *T HERE IS NO known cure for the ills of ownership. As Adam Smith said, it is woven into our lives. But being aware of it might help*  June 7, 2016 | [136](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA136) | |

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| |  |  |  | | --- | --- | --- | |  | *moving backward to our pre-ownership state is a loss, one that we cannot abide. And so, while moving up in life, we indulge ourselves with the fantasy that we can always ratchet ourselves back if need be; but in reality, we can’t. Downgrading to a smaller home, for instance, is experienced as a loss, it is psychologically painful, and we are willing to make all kinds of sacrifices in order to avoid such losses—even if, in this case, the monthly mortgage sinks our ship.*  June 7, 2016 | [136](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA136.w.0.0.0.1) | |

## *Chapter 8*

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| |  |  |  | | --- | --- | --- | |  | *Keeping Doors Open Why Options Distract Us from Our Main Objective*  June 7, 2016 | [137](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA137.w.0.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *We have an irrational compulsion to keep doors open. It’s just the way we’re wired. But that doesn’t mean we shouldn’t try to close them*  June 7, 2016 | [146](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA146.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *it should be a reminder to all of us that we have doors—little and big ones—which we ought to shut*  June 7, 2016 | [146](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA146.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *choosing between two things that are similarly attractive is one of the most difficult decisions we can make. This is a situation not just of keeping options open for too long, but of being indecisive to the point of paying for our indecision in the end. Let me use the following story to explain*  June 7, 2016 | [146](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA146.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *take into account the consequences of not deciding*  June 7, 2016 | [147](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA147.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *In other words, they all should have considered the decision an easy one. They could have even flipped a coin (figuratively, in the case of the donkey) and gotten on with their lives. But we don’t act that way, because we just can’t close those doors.*  June 7, 2016 | [148](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA148.w.0.0.0.1) | |

## *Chapter 9*

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| |  |  |  | | --- | --- | --- | |  | *The Effect of Expectations Why the Mind Gets What It Expects*  June 7, 2016 | [150](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA150.w.0.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *how could any two parties look at precisely the same event and interpret it as supporting their opposing points of view?*  June 7, 2016 | [150](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA150.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *in a search for the root of this human condition, we decided to set up a series of simple experiments to explore how previously held impressions can cloud our point of view*  June 7, 2016 | [151](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA151.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *without foreknowledge about the vinegar, most of them chose the vinegary MIT Brew. But when they knew in advance that the MIT Brew had been laced with balsamic vinegar, their reaction was completely different. At the first taste of the adulterated suds, they wrinkled their noses and requested the standard beer instead.*  June 7, 2016 | [153](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA153.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *if you tell people up front that something might be distasteful, the odds are good that they will end up agreeing with you—not because their experience tells them so but because of their expectations.*  June 7, 2016 | [153](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA153.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *the interesting thing was that when the odd condiments were offered in the fancy containers, the coffee drinkers were much more likely to tell us that they liked the coffee a lot, that they would be willing to pay well for it, and that they would recommend that we should start serving this new blend in the cafeteria.*  June 7, 2016 | [154](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA154.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *When the coffee ambience looked upscale, in other words, the coffee tasted upscale as well*  June 7, 2016 | [154](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA154.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *W HEN WE BELIEVE beforehand that something will be good, therefore, it generally will be good—and when we think it will be bad, it will bad*  June 7, 2016 | [154](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA154.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *A S YOU SEE , expectations can influence nearly every aspect of our life. Imagine that you need to hire a caterer for your daughter’s wedding. Josephine’s Catering boasts about its “delicious Asian-style ginger chicken” and its “flavorful Greek salad with kalamata olives and feta cheese.” Another caterer, Culinary Sensations, offers a “succulent organic breast of chicken roasted to perfection and drizzled with a merlot demi-glace, resting in a bed of herbed Israeli couscous” and a “mélange of the freshest roma cherry tomatoes and crisp field greens, paired with a warm circle of chèvre in a fruity raspberry vinagrette.” Although there is no way to know whether Culinary Sensations’ food is any better than Josephine’s, the sheer depth of the description may lead us to expect greater things from the simple tomato and goat cheese salad. This, accordingly, increases the chance that we (and our guests, if we give them the description of the dish) will rave over it.*  June 7, 2016 | [157](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA157.w.0.0.0.4.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *We can add small things that sound exotic and fashionable to our cooking (chipotle-mango sauces seem all the rage right now, or try buffalo instead of beef ). These ingredients might not make the dish any better in a blind taste test; but by changing our expectations, they can effectively influence the taste when we have this pre-knowledge. These techniques are especially useful when you are inviting people for dinner—or persuading children to try new dishes. By the same token, it might help the taste of the meal if you omit the fact that a certain cake is made from a commercial mix or that you used generic rather than brand-name orange juice in a cocktail,*  June 7, 2016 | [158](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA158.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *don’t underestimate the power of presentation. There’s a reason that learning to present food artfully on the plate is as important in culinary school as learning to grill and fry*  June 7, 2016 | [158](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA158.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *If you want to enhance the experience of your guests, invest in a nice set of wineglasses.*  June 7, 2016 | [159](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA159) | |

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| |  |  |  | | --- | --- | --- | |  | *even though controlled studies find that the shape of the glass makes no difference at all in an objective blind taste test, that doesn’t stop people from perceiving a significant difference when they are handed the “correct glass*  June 7, 2016 | [159](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA159.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *Expectations, of course, are not limited to food. When you invite people to a movie, you can increase their enjoyment by mentioning that it got great reviews. This is also essential for building the reputation of a brand or product. That’s what marketing is all about—providing information that will heighten someone’s anticipated and real pleasure. But do expectations created by marketing really change our enjoyment?*  June 7, 2016 | [159](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA159.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *The reaction of the brain to the basic hedonic value of the drinks (essentially sugar) turned out to be similar for the two drinks. But the advantage of Coke over Pepsi was due to Cokes’s brand—which activated the higher-order brain mechanisms. These associations, then, and not the chemical properties of the drink, gave Coke an advantage in the marketplace.*  June 7, 2016 | [161](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA161) | |

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| |  |  |  | | --- | --- | --- | |  | *E XPECTATIONS ALSO SHAPE stereotypes. A stereotype, after all, is a way of categorizing information, in the hope of predicting experiences. The brain cannot start from scratch at every new situation. It must build on what it has seen before. For that reason, stereotypes are not intrinsically malevolent. They provide shortcuts in our never-ending attempt to make sense of complicated surroundings. This is why we have the expectation that an elderly person will need help using a computer or that a student at Harvard will be intelligent. \* But because a stereotype provides us with specific expectations about members of a group, it can also unfavorably influence both our perceptions and our behavior*  June 7, 2016 | [161](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA161.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *Research on stereotypes shows not only that we react differently when we have a stereotype of a certain group of people, but also that stereotyped people themselves react differently when they are aware of the label that they are forced to wear (in psychological parlance, they are “primed” with this label*  June 7, 2016 | [162](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA162) | |

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| |  |  |  | | --- | --- | --- | |  | *A LL THESE EXPERIMENTS teach us that expectations are more than the mere anticipation of a boost from a fizzy Coke. Expectations enable us to make sense of a conversation in a noisy room, despite the loss of a word here and there, and likewise, to be able to read text messages on our cell phones, despite the fact that some of the words are scrambled. And although expectations can make us look foolish from time to time, they are also very powerful and useful.*  June 7, 2016 | [164](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA164) | |

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| |  |  |  | | --- | --- | --- | |  | *When stripping away our preconceptions and our previous knowledge is not possible, perhaps we can at least acknowledge that we are all biased. If we acknowledge that we are trapped within our perspective, which partially blinds us to the truth, we may be able to accept the idea that conflicts generally require a neutral third party—who has not been tainted with our expectations—to set down the rules and regulations. Of course, accepting the word of a third party is not easy and not always possible; but when it is possible, it can yield substantial benefits. And for that reason alone, we must continue to try.*  June 7, 2016 | [165](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA165.w.0.0.0.1) | |

## *Chapter 10*

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| |  |  |  | | --- | --- | --- | |  | *To carry out this test, Dr. Cobb performed the traditional procedure on some of the patients, and placebo surgery on the others. The real surgery meant opening the patient up and tying up the internal mammary artery. In the placebo procedure, the surgeon merely cut into the patient’s flesh with a scalpel, leaving two incisions. Nothing else was done. The results were startling. Both the patients who did have their mammary arteries constricted and those who didn’t reported immediate relief from their chest pain. In both groups, the relief lasted about three months—and then complaints about chest pain returned. Meanwhile, electrocardiograms showed no difference between those who had undergone the real operation and those who got the placebo operation. In other words, the traditional procedure seemed to provide some short-term relief—but so did the placebo*  June 7, 2016 | [166](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA166.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *, J. B. Moseley, an orthopedic surgeon, had increasing doubts about the use of arthroscopic surgery for a particular arthritic affliction of the knee*  June 7, 2016 | [167](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA167) | |

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| |  |  |  | | --- | --- | --- | |  | *. Reacting to this startling conclusion, Dr. Nelda Wray, one of the authors of the Moseley study, noted, “The fact that the effectiveness of arthroscopic lavage and debridement in patients with osteoarthritis of the knee is no greater than that of placebo surgery makes us question whether the $1 billion spent on these procedures might be put to better use.”*  June 7, 2016 | [167](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA167.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *expectations change the way we perceive and appreciate experiences. Exploring the placebo effect in this chapter, we’ll see not only that beliefs and expectations affect how we perceive and interpret sights, tastes, and other sensory phenomena, but also that our expectations can affect us by altering our subjective and even objective experiences—sometimes profoundly so.*  June 7, 2016 | [168](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA168.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *When researchers tested the effect of the six leading antidepressants, they noted that 75 percent of the effect was duplicated in placebo controls. 15 The same was true of brain surgery for Parkinson’s disease. 16 When physicians drilled holes in the skulls of several patients without performing the full procedure, to test its efficacy, the patients who received the sham surgery had the same outcome as those who received the full procedure*  June 7, 2016 | [170](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA170.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *The truth is that placebos run on the power of suggestion. They are effective because people believe in them. You see your doctor and you feel better. You pop a pill and you feel better. And if your doctor is a highly acclaimed specialist, or your prescription is for a new wonder drug of some kind, you feel even better. But how does suggestion influence us?*  June 7, 2016 | [170](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA170.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *TWO mechanisms shape the expectations that make placebos work. One is belief—our confidence or faith in the drug, the procedure, or the caregiver*  June 7, 2016 | [170](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA170.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *The second mechanism is conditioning. Like Pavlov’s famous dogs (that learned to salivate at the ring of a bell), the body builds up expectancy after repeated experiences and releases various chemicals to prepare us for the future. Suppose you’ve ordered pizza night after night. When the deliveryman presses the doorbell, your digestive juices start flowing even before you can smell the pie*  June 7, 2016 | [171](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA171) | |

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| |  |  |  | | --- | --- | --- | |  | *Thus familiarity may or may not breed contempt, but it definitely breeds expectations. Branding, packaging, and the reassurance of the caregiver can make us feel better.*  June 7, 2016 | [171](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA171.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *we saw that our capsule did have a placebo effect. But suppose we priced the Veladone differently. Suppose we discounted the price of a capsule of Veladone-Rx from $2.50 to just 10 cents. Would our participants react differently? In our next test, we changed the brochure, scratching out the original price ($2.50 per pill) and inserting a new discount price of 10 cents. Did this change our participants’ reaction? Indeed. At $2.50 almost all our participants experienced pain relief from the pill. But when the price was dropped to 10 cents, only half of them did*  June 7, 2016 | [174](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA174.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *it turns out that this relationship between price and placebo effect was not the same for all participants, and the effect was particularly pronounced for people who had more experience with recent pain.*  June 7, 2016 | [174](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA174.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *If we stop and rationally consider the product versus the price, will we be able to break free of the unconscious urge to discount quality along with price?*  June 7, 2016 | [177](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA177.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *We tried this in a series of experiments, and found that consumers who stop to reflect about the relationship between price and quality are far less likely to assume that a discounted drink is less effective (and, consequently, they don’t perform as poorly on word puzzles as they would if they did assume it). These results not only suggest a way to overcome the relationship between price and the placebo effect but also suggest that the effect of discounts is largely an unconscious reaction to lower prices.*  June 7, 2016 | [177](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA177.w.0.0.0.4) | |

## *Chapter 11*

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| |  |  |  | | --- | --- | --- | |  | *Something held them back—something inside them. But what was it? What is honesty, anyhow? T O THAT QUESTION , Adam Smith, the great economic thinker, had a pleasant reply: “Nature, when she formed man for society, endowed him with an original desire to please, and an original aversion to offend his bretheren. She taught him to feel pleasure in their favourable, and pain in their unfavourable regard,” he noted. To this Smith added, “The success of most people…almost always depends upon the favour and good opinion of their neighbours and equals; and without a tolerably regular conduct these can very seldom be obtained. The good old proverb, therefore, that honesty is always the best policy, holds, in such situations, almost always perfectly true.*  June 7, 2016 | [190](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA190.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *honesty is something bigger—something that is considered a moral virtue in nearly every society*  June 7, 2016 | [191](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA191.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *Sigmund Freud explained it this way. He said that as we grow up in society, we internalize the social virtues. This internalization leads to the development of the superego. In general, the superego is pleased when we comply with society’s ethics, and unhappy when we don’t. This is why we stop our car at four AM when we see a red light, even if we know that no one is around; and it is why we get a warm feeling when we return a lost wallet to its owner, even if our identity is never revealed. Such acts stimulate the reward centers of our brain—the nucleus accumbens and the caudate nucleus—and make us content.*  June 7, 2016 | [191](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA191.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *This is my take. We care about honesty and we want to be honest. The problem is that our internal honesty monitor is active only when we contemplate big transgressions, like grabbing an entire box of pens from the conference hall. For the little transgressions, like taking a single pen or two pens, we don’t even consider how these actions would reflect on our honesty and so our superego stays asleep.*  June 7, 2016 | [192](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA192) | |

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| |  |  |  | | --- | --- | --- | |  | *Without the superego’s help, monitoring, and managing of our honesty, the only defense we have against this kind of transgression is a rational cost-benefit analysis. But who is going to consciously weigh the benefits of taking a towel from a hotel room versus the cost of being caught? Who is going to consider the costs and benefits of adding a few receipts to a tax statement? As we saw in the experiment at Harvard, the cost-benefit analysis, and the probability of getting caught in particular, does not seem to have much influence on dishonesty*  June 7, 2016 | [192](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA192.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *This indicated that it was not the Command ments themselves that encouraged honesty, but the mere contemplation of a moral benchmark of some kind*  June 7, 2016 | [196](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA196.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *If that were the case, then we could also use nonreligious benchmarks to raise the general level of honesty. For instance, what about the professional oaths that doctors, lawyers, and others swear to—or used to swear to? Could those professional oaths do the trick?*  June 7, 2016 | [196](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA196.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *when we are removed from any benchmarks of ethical thought, we tend to stray into dishonesty. But if we are reminded of morality at the moment we are tempted, then we are much more likely to be honest.*  June 17, 2016 | [200](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA200.w.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *occasional swearing of oaths and occasional statements of adherence to rules are not enough. From our experiments, it is clear that oaths and rules must be recalled at, or just before, the moment of temptation. Also, what is more, time is working against us as we try to curb this problem. I said in Chapter 4 that when social norms collide with market norms, the social norms go away and the market norms stay. Even if the analogy is not exact, honesty offers a related lesson: once professional ethics (the social norms) have declined, getting them back won’t be easy*  June 17, 2016 | [200](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA200.w.0.0.0.4) | |

## *Chapter 12*

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| |  |  |  | | --- | --- | --- | |  | *Why Dealing with Cash Makes Us More Honest*  June 17, 2016 | [204](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA204.w.0.0.0.0.1) | |

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| |  |  |  | | --- | --- | --- | |  | *cheating is a lot easier when it’s a step removed from money.*  June 17, 2016 | [205](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA205.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *So what permits us to cheat when cheating involves nonmonetary objects, and what restrains us when we are dealing with money? How does that irrational impulse work?*  June 17, 2016 | [205](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA205.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *B ECAUSE WE ARE so adept at rationalizing our petty dishonesty, it’s often hard to get a clear picture of how nonmonetary objects influence our cheating.*  June 17, 2016 | [205](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA205.w.0.0.0.3) | |

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| |  |  |  | | --- | --- | --- | |  | *To get at the true nature of dishonesty, then, we needed to develop a clever experiment, one in which the object in question would allow few excuses. Nina, On, and I thought about it. Suppose we used symbolic currency, such as tokens. They were not cash, but neither were they objects with a history, like a Coke or a pencil. Would it give us insight into the cheating process?*  June 17, 2016 | [206](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA206) | |

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| |  |  |  | | --- | --- | --- | |  | *when given a chance to cheat under ordinary circumstances, the students cheated, on average, by 2.7 questions. But when they were given the same chance to cheat with nonmonetary currency, their cheating increased to 5.9—more than doubling in magnitude. What a difference there is in cheating for money versus cheating for something that is a step away from cash!*  June 17, 2016 | [207](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA207.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *This means that not only did the tokens “release” people from some of their moral constraints, but for quite a few of them, the extent of the release was so complete that they cheated as much as was possible*  June 17, 2016 | [208](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA208) | |

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| |  |  |  | | --- | --- | --- | |  | *The scary thought is that if we did the experiments with nonmonetary currencies that were not as immediately convertible into money as tokens, or with individuals who cared less about their honesty, or with behavior that was not so publicly observable, we would most likely have found even higher levels of dishonesty. In other words, the level of deception we observed here is probably an underestimation of the level of deception we would find across a variety of circumstances and individuals.*  June 17, 2016 | [211](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA211.w.0.0.0.4) | |

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| |  |  |  | | --- | --- | --- | |  | *This view of human nature is worrisome. We can hope to surround ourselves with good, moral people, but we have to be realistic. Even good people are not immune to being partially blinded by their own minds. This blindness allows them to take actions that bypass their own moral standards on the road to financial rewards. In essence, motivation can play tricks on us whether or not we are good, moral people*  June 17, 2016 | [212](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA212.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *SO WE return to our original observation: isn’t cash strange? When we deal with money, we are primed to think about our actions as if we had just signed an honor code.*  June 17, 2016 | [214](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA214) | |

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| |  |  |  | | --- | --- | --- | |  | *But look at the latitude we have with nonmonetary exchanges. There’s always a convenient rationale. We can take a pencil from work, a Coke from the fridge—we can even backdate our stock options—and find a story to explain it all. We can be dishonest without thinking of ourselves as dishonest. We can steal while our conscience is apparently fast asleep.*  June 17, 2016 | [214](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA214.w.0.0.0.2) | |

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| |  |  |  | | --- | --- | --- | |  | *in the larger context, we need to wake up to the connection between nonmonetary currency and our tendency to cheat. We need to recognize that once cash is a step away, we will cheat by a factor bigger than we could ever imagine. We need to wake up to this—individually and as a nation, and do it soon.*  June 17, 2016 | [214](http://play.google.com/books/reader?printsec=frontcover&output=reader&id=cVpPCAAAAEAJ&source=books-notes-export&pg=GBS.PA214.w.0.0.0.4) | |