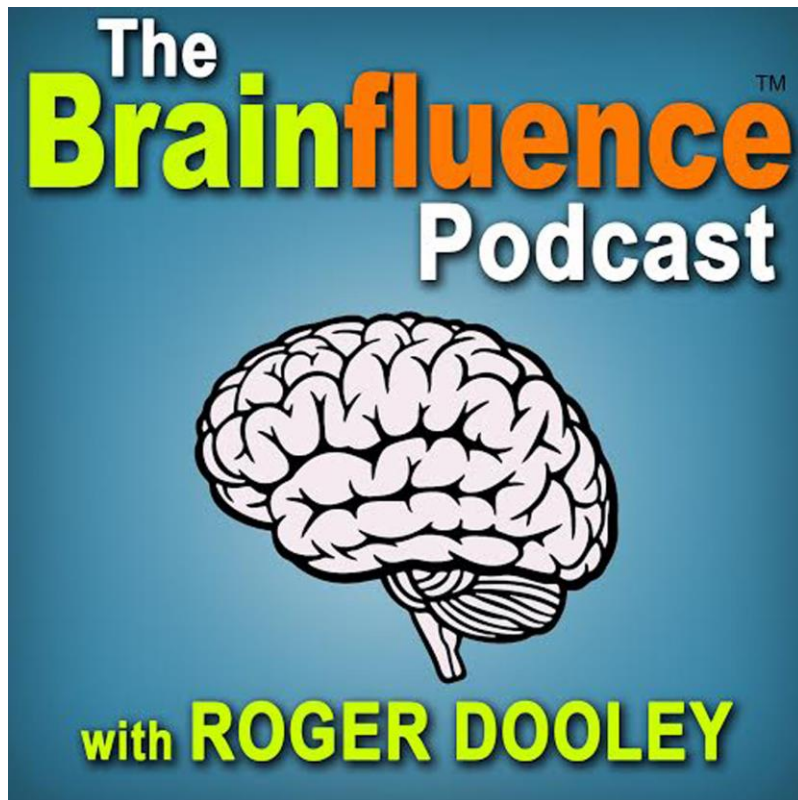


Ep #60: Real-World Behavior Science with Dan Ariely



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Roger Dooley

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Welcome to the Brainfluence Podcast with Roger Dooley, author, speaker and educator on neuromarketing and the psychology of persuasion. Every week, we talk with thought leaders that will help you improve your influence with factual evidence and concrete research. Introducing your host, Roger Dooley.

Roger: Welcome to the Brainfluence Podcast, I'm Roger Dooley. Our guest today is Dan Ariely, a scientist and author well known to our listeners. Dan is James B. Duke professor of psychology and behavioral economics at Duke University and the author of the best seller *Predictably Irrational*. Dan's newest book is *Irrationally Yours: On Missing Socks, Pickup Lines and Other Existential Puzzles*. Dan, welcome to the show.

Dan: My pleasure.

Roger: Dan it's really a pleasure to have you. I think we first met at by South West Mayo about five years ago. I'm constantly quoting your research in both my speeches and my writing. One of the things I really like about your research is it's often really simple and elegant. I'm a Carnegie Mellon Alum and I'm really impressed by the work they're doing there out there at their CNBC with folks like Michael Tower, George Loewenstein and so on but these guys are using multi-million dollar fMRI machines and vast computational resources to do their work where it seems you get a lot of stuff done just paper, pencil and maybe a grad student or two. Explain about your approach a little bit and what do you think the future for human behavior research holds?

Dan: First of all, I'm a big admirer of the group at Carnegie Mellon, I had my first job offer from them and it's truly an amazing team that is so multi-disciplinary and they get so many different things down from so many different perspective. I really admire that. One way to think about myself is that I'm not really a good scientist. I'm more of a behavioral hacker. You know my

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interest in social science comes from experiencing some problems myself. These includes the gateway for me was being in a hospital and realizing all kinds of way in which people did not do things the right way.

I think that sometimes good researchers basically say, here's a problem, let me study for 30 years and let me figure out what the right answer is and once I know the right answer, we'll turn our eyes towards implementing something. I'm less patient and I also see much more misery around us. I basically have a quicker time horizon and I say, look, let's look at the world around us. Let's look at things that don't seem to be working well and let's think about how to improve it. Maybe we don't solve it perfectly but we just improve it. This applies to all kinds of things, right?

When you go, we recently went to a bank institution for the poor and you go and you look at this institution and you say, you know what, these forms is just too complex and too difficult and people actually don't know how to use an ATM. Sadly, when you open people open checking account, you don't open to them savings account with a number that you just one off from the checking account. Later, they don't remember even what saving account's number. When you look at life, there are so many low-hanging fruits that's just causing us misery and unhappiness. I mostly focus on those.

Because of that, I think my experiments are relatively simple. They're not always as simple as I wish but if you look at life and you say, where are the points where people sell, a lot of them actually come to very simple interfaces.

Roger: Yeah, I recall one, I think it was probably described in Predictably Irrational about people ordering beer samples in a bar and that just impressed me as being a great way of combining recreation and research.

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Dan: Yup. For example, you say, let's study expectations. One way to study expectation is to do some artificial environment in the lab, another one is to create use beer and vinegar as a place for people have expectations. Let me give you another example. This is a research we just finished now. This is a research we did in Kibera. Kibera is a slum in Kenya. We try to get very poor people to save a little bit of money. Here is the reason, we don't hope that these people would have money for retirement but if you're very poor and you live hand to mouth and all of the sudden you lose one source of your income ... By the way, people in Kibera are all small business owners.

It is just incredible to realize this but if you are going to walk 20 minutes each way to get some water, you're going to ask your neighbor if they want some water too and then you're going to charge them another penny to give their water. Everybody runs a little business but if imagine if you have a goat and the goat gives you 20% of your income and one day your goat get sick. Now, you're 20% short. You don't have capacity to overcome this. What do you do? You borrow. If in Kibera, you maybe borrow a 10% a week and four weeks later let's say good things happened and your goat is healthy again. Now you're four weeks behind plus interest rate, really hard to recover from that.

Now, you have to sell your, maybe you have a pan or a pot or a light or lantern or something like that, things that care about very deeply. What we did was we said, okay, the first thing we need to do is we need to create a pre-commitment system. We need to create something where people would have an easy time putting money in and hard time taking the money out, easy in, hard out. We teamed up with Safaricom, the cell phone company. With them, you could text yourself some money into a separate account. Every night, we got an investment bank to transfer the money to the investment bank. This way, if you

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wanted to get the money out, you had to actually take a bus, go to the city, fill a form, get the money. It will take a few hours.

Every time you thought you have some money and then taking it out, you really have to think about it carefully because it was very costly from a time perspective to go and get the money. We had different people, we gave them different incentives and reminders to save. Let me describe to you some of those. Some people just got a reminder. Every Thursday we said, hey, it will be a good idea to try and save a 100 Shillings this week. Other people, we send them a text message from their kids. We say, saving is often not for you. It's for the family. What if we reminded people about their family?

Other people got the match. We said if you save up to a 100 Shillings, we'll match you 10%. Other people, we gave them 20%. Other people we gave them what we call a pre-match. A pre-match is based on the idea of loss aversion. As you remember, loss aversion is the idea that people hate losing more than they enjoy gaining. We said, what if we took the 10% or 20% and we put the money in their account up front and we said if you save you get to keep this money and if you don't save, we'll take it back. Imagine you're in the 20% pre-match condition, I put 20 Shillings in your account and I say, if you save a 100 Shillings, you get to keep it. If you save 50, you get to keep half, zero, I'll take it all back.

Finally, we had another condition in which we made a coin. This was a gold-colored coin. We told people it was not gold. We asked them to put it somewhere in their hut and do a numbers on the edge of the coins. Twenty four numbers for the 24 weeks of the program. We asked people every week to scratch the coin with a knife and scratch it horizontally if they save and vertically if they didn't save. Think about all of these methods, text, text from kids, 10% post-match, 20% post-match, 10%

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pre-match, 20% pre-match and the coin. Which one do you think worked the best?

Roger: I hesitate to guess, Dan because I'm sure I'm going to be surprised.

Dan: No, it's okay to guess.

Roger: I know. I think that the, if I had to go with one, I would say one of the pre-match ones would be the most effective where they would lose it if ...

Dan: Actually when you, that's right. When we do a study and we asked people what their intuitions are, that's what people tell us and by the way, that's what I thought too. Here is how the results looked like. First of all, just reminding people helps compared to not reminding. That's good news for memory. Post-match is slightly better, 10 or 20% don't matter. Pre-match is slightly better than post-match as you predicted. Kids are basically the same as pre-match and 10 and 20% don't matter on the pre-match. But the biggest winner was the coin. The coin basically doubles savings compared to everything else.

Now that we know the results, let's think a little bit backward and say why would and by the way, my research center at Duke is called The Center for Advanced Hindsight for exactly the same reason you're feeling right now which is basically, yes, I knew that. Why do you ...

Roger: Now that you have the answer, you can figure out what the cause is?

Dan: That's right. Why do you think the coin worked so well? What will be some speculations?

Roger: I guess the sensory nature that it would be once tangible. You're holding it, feeling it scratching and so on also the ...

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Dan: Also the tangible nature gives you a sense of your progress you see the 24 weeks.

Roger: I guess there's ...

Dan: What else?

Roger: ... one other little factor too maybe that there's some research that shows that currency symbols makes people a little more selfish and it could be that they're getting primed by that coin too.

Dan: Yup. I think the question of primed and reminders is actually very important. Let me describe to you another research not by me. This was a research in which they took kids in Oklahoma and on the day that they were born, they opened college saving accounts for them. They waited four years and they tested these kids' mental and social skills. Guess what? The kids with college savings accounts performed better. Now, how can that be? Do the kids know that they're going to college? Of course, not but what's going on is that the parents know that their kids are going to college.

Once a month, their parents get a letter saying this kids is going to college. By the way, this college savings account had less than a \$1,000, not enough to pay for college. Imagine that you just get a reminder once a month. Now, the same thing happened with the coin. What we find with the coin is that we send everybody a text message on Thursday. The coin people saved more on every day of the week. The coin was part of people's environment. That's basically a big part of behavioral economics and cognitive psychology is to say, why not people thinking about something?

Especially in the digital world, when do people think about an app? Only when they decide to think about it, right? There's

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nothing that we do externally. Sometimes, of course we have notifications but outside of notifications, people think about apps when they think about apps. The physical thing basically got people to remember something even it was not on top of their mind. You could be thinking about a million things right now and the things that your brain decides to think about are going to direct your behavior. How do we get you to think more about the things that are good for you or the things we want you think about?

The other thing to realize is that our environment is full of things that related to spending. There's almost nothing in the environment that represents savings. Think about it, if you go to your house, what about your house represents savings?

Roger: Right. It's obviously very consumption focused.

Dan: That's right. Because of that, saving is really out of our minds. To figure out what kind of things would we do to make savings more salient on people's mind is incredibly important. You could say the same things of course for other domains of life. It's not just about saving. You can get people to think more about their long-term aspirations, insurances, vacations, all kinds of things like that.

Roger: That's really a fascinating intervention. I love the fact that it's so practical and actually has a potential to benefit humanity and people. That's really great. Again, one of the things that really amaze me about your bio was all of the things that you're involved in at Duke. I'm just going on the list. You're part of the School of Business, The Center for Cognitive Neuroscience, The Department of Economics, The School of Medicine, The School of Public Policy and even the Kenan Institute for Ethics. I think about the only thing you aren't doing there is helping coach the basketball team.

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Do you think this involvement in so many areas of the university reflects a greater desire overall, not just even at Duke specifically but to incorporate our understanding of brain and behavior work in to a multitude of disciplines where perhaps a few years ago that wasn't quite as true?

Dan: I think so. I think one of the nice changes that happened to social science is that we're stepping out of the lab and we're trying to do things, we're trying to really influence behavior. I think it's a wonderful move. It's a tricky thing with academia because academia, we have these standards of what's a good experiment, what's a bad experiment. A practical world doesn't always let us do all the experiments the way we want them, we want to do them but some kind of healthy mix between academic studies, the way academics do it and applied research in the way that is helpful for people I think is very, very good.

Now, a couple of things, one is I think I'm a little addicted to new experiences. What happened is life is incredibly tempting. Of course, the temptations we all know like doughnuts and stuff like that. For me, academic adventures are really amazing. There's so many interesting opportunities and tests and people are doing so many different stuff. I always want to study more and learn more and understand things in it in a better way. Can I just tell you about a few of my new adventures?

Roger: Sure, absolutely Dan.

Dan: Two years ago, I teamed up with a movie producer from New York, Al Melamed. My last book before this one was a book on dishonesty. I basically tested in the lab how people are dishonest. We tempt people to steal some money from us and we see when they steal more and when they steal less. It was also quite nice and interesting but there was a question to what cheating we see in the lab the same animal is big cheating that

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we see on Wall Street for example. You could imagine those represent the same kind of psychology although those are very, very different.

Because there's not the really good natural way to study big cheating, I can't start two banks, one of them with code of conduct, one without. We invited all kinds of people who've misbehaved in big ways to come and talk to us in the studio. We interviewed about 40 people for about three hours each. The stories proved as just fascinating. What turned out is that when you look at what those people did at the end, you would say, no, no, no, this is not the same as the lab cheating but if when you look at what they did in the beginning, when you look at the first step they took, you would say, yes, that's exactly what we've seen in the lab. These are little steps that people could justify, thought of themselves as good people, didn't see how it works.

Last week we had the premier of the movie. It's now out in digital form and so on. The next week it will be, a short version, it will be in CNBC but that has been a tremendous adventure. Started by saying, I don't know how to do this research. Let's film these people. Let's talk to them then it turned out, we thought it would become a really interesting movie about our dishonest nature. We kept on moving with that. I'll tell you something else that we're doing next year. Next year, I'm going to teach a class. It's going to become a strange class. I'm going to invite people from municipalities to come and hang out with us for two or three days and to learn about social science. At the end, we're going to tell them, look, if there's a problem in your municipality you want to work on, tell us what it is.

We're going to have a year-long class in the school of public policy and computer science and we are going to assign teams to you to work on the problem that is interesting. We're

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basically going to do this class-based project for a whole year and try to do different interventions in municipalities. I don't know how it will work out. It could be great. It could be incredibly difficult. It could be municipalities will say they want to do things but eventually wouldn't. I don't know but I'm really very excited about just exploring low, just saying, let's figure out more of what the problems is facing. Let's see what we can do to help. Let's try different things. It's just a wonderful adventure to just try something new.

Roger: Right, that's not that different in some senses from what business schools have been doing for years where they'll either do class projects with entrepreneurs or even perhaps tackle individual problems in bigger companies as class projects. That sounds great although I think the challenge you might run into is that municipalities have so many players and the power is so diffused in many cases. There's no decision maker. Everything is negotiation but nothing else, if you can get some issues highlighted and sometimes people can be brought together and agree on something particularly if it's coming from a third party as opposed to one particular faction or the other. That's great. I'm looking forward to learning more about that.

Speaking of basketball teams, one new story not too long ago talked about pro basketball teams that were using facial coding analysis to screen their potential recruits. What they were looking for wasn't so much of evaluation of their basketball ability but their emotional reaction to situations to see if they'd be a good emotional fit with their team. Do you have any thoughts on that kind of a process? Is this a real? I guess, beyond that too, what's your take on the, that's sounds a little bit like black magic perhaps but what's your take on the field of consumer neuroscience and neuromarketing, that could include not just facial coding but fMRI, EEG and all the other tools even implicit testing and that sort of thing?

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Dan: First of all, in terms of teams, I think that team dynamics is incredibly important. It is really not the field that we understand enough in social science. It's not clear how do you get the same group of people to either play like a team or hate each other's' guts. I don't think it's just the individuals. There's something that happens in the connection between them and so on. I'm not a big sports fan but I think the question of how do you get people to commit to their team members is incredibly important. You know the best people of course in that are the marines where you basically create these teams that are unbelievably committed to each other.

They look at success as a function of the team as a whole rather than individuals. They also don't make much money and they're not in the spotlight so other things happen. In terms of the other part of the question of what do I think is happening with neuroscience broadly defined, I think it's a fascinating area of research. I think that right now it is more in the R&D stage than the real finding stage. Now, it's not that we're not finding interesting things but if you think about fMRI for example, the resolution of fMRI is still a little bit too close. I know that it sounds strange to say a square millimeter is too big of a space but in brain terminology ...

Roger: The bigger the size of neurons.

Dan: ... it's too close. That's right. I think the amount of investment compared to the amount of learning from the practical world right now is much more investment than learning but I'm hopeful. What I think is we should be cautious a little bit like the research on priming. You remember many years ago, there was this Richardson priming and people were very quick to draw conclusions from priming. They say, if you go to the cinema and you see a bottle of Coke flash for a fraction of a second, people would go and buy a Coke. It turns out that

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doesn't work like this. People were disappointed that priming didn't work.

Companies have abandoned priming and haven't come back to examine it. Even though we have now 50 years of priming and we understand much more about how priming works. It's actually much more complex and quite incredibly powerful. It just doesn't work the way we thought up front. I worry, I'm a big believer in neuroscience. How could you not? Our actions are eventually a function of our neural activity. In understanding that, we could do a lot to understand human behavior. I worried that some companies are going to use the gimmicks don't get as much out of it as they think and will abandon it just like happened to priming.

I'm optimistic about the field but if you said, for example, if you ask me, what is the best way to understand reactions to ads right now? How much if it will be brain imaging versus how much if it will be behavioral? I would say, probably right now, behavioral will give you a bigger bang for your buck. In the future, of course, I think you would be able to get much more out of that. The one exception perhaps, you mentioned implicit attitudes. The one exception are cases where people are trying actively to hide things from you. If you're doing a research on something that people don't want to tell you the truth, now you can't rely on what they're saying.

You might get some, a bigger bang for the buck from using those approaches that don't rely on people being truthful. Looking at small eye movements, looking at skin response, maybe look at some other measure could be incredibly useful.

Roger: Dan, I want to get to your new book, Irrationally Yours, all of your books show you have a sense of humor but this one is actually the first one that's outright funny, I would say. It grew out of your column at the Wall Street Journal. How did you end

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up with a Dear-Abby style column at the journal and did they ever object? They're pretty stayed most of the time. Did they every object to your humorous approach in answering reader questions?

Dan: Yes. I don't remember how it started but I think I wrote something in The Wall Street Journal and I described the fact that people asked me questions. Because of my history as a burn victim, I get lots of questions from people with different injuries and they write me to ask me questions about their own lives and how to do specific things. I wrote about that at some point and then an editor from The Wall Street Journal said, hey, would you like to try a column? I was very cautious about it. I said, you know what, I'll try for two columns and let's see how it works.

I actually realize that any people wrote me lots of questions any way that I was responding too and some of those I thought reflects very specific interest and therefore, I only answer them privately and some reflected some more general interest. Those became the starting point for the column. I actually get lots of questions from people. I try to answer all of them, mostly privately. I only answer three questions publicly in the column but it really helped me figure out a bit more about what people are struggling which has been really, very interesting. I also love the process.

When people ask me a question, my first step is to say, okay, let me abstract a little bit from this question and figure out what are the psychological and economic forces that actually are present in this question? What this question about beyond the specific instant so somebody could ask me about a question about cars, I say no, this is a question about cars about cars are really about signaling. It's about we tell other people who we are. It's about what we tell ourselves about who we are. They're

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about other things as well. Once you think about the questions this way, now you say, it's not just a question about cars. It's a much more general question than I try to answer those.

In terms of the journal being a stiff entity. Yes, they are a stiff entity. There are all kind of questions that they basically tell me, not here. There are some answers that they don't like. They don't like me take a really political stabs and sexual humor is not really their forte. From time to time I push. From time to time I fail but I do appreciate them and I have to say it's a real treat to take a few hours of my week and try to think carefully. When I write the column, because it's so short, it's 640 words, right? It's not a lot. I basically savor every sentence. It's a bit more like a wine for me. I sit and I think about each sentence. It's really, I love the process.

It's certainly is my sense of humor, when I come up with it, I always think that it will make me and my father laugh. I don't know if anybody else would enjoy it but I hope you enjoyed it as well.

Roger: Just to describe the book to our listeners, it's a compilation of, probably what, 90 plus advice questions that Dan answers sometimes briefly, sometimes in more depth but usually with not just sage advice and funny advice but also a little dose of behavior science thrown and to explain why this might be the right answer. Even as you're chuckling, you're learning. I thought that was great. Also, it's illustrated which is, I guess, maybe a first. There are whole bunch of cartoons from The New Yorker's William Haefeli which really, I think, just add to the overall experience. It's just a fun book. How did you hook up with William?

Dan: I love his cartoons and he was also a Duke alum. I asked the alumni office to reach out to him. They reached out and he was very cautious about this. It's not his style of work. I basically

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convinced him to do one. I said, don't worry about doing a lot. Let's just do one. Let's just try it. He would get a column and he would write me five one liners. I would say, this is the one I want. It was actually shocking. I would write something that I thought was insightful and concise with 300 words and then he would send me a one liner that I thought captured the whole idea.

I pick the one liner I like the most and he would do the cartoon. It was such a fabulous collaboration. I am really sad not to get these emails from him with the suggestions of the one liners but maybe we'll do another one at some point.

Roger: They're really great and they definitely add to the overall book experience. I don't want to give away too much from the book but let's just give one example to our listeners here. I've had a long-term interest in the higher ed space and particularly college admissions process and now high school seniors are wrapping up their school year and getting ready to go to college in the fall. You had some particularly cogent advice for what these new students should do when they get to college. You want to explain that?

Dan: I think you're referring to the question about what to do with their grandmothers?

Roger: Yes, that they should cut off their contact with their family during their college years.

Dan: That's right, completely cut it off. I go ahead and I described this research that shows that students in college have this proportional number of grandmothers passing. I described how sad this is and then the results showed that the worst students do in the class, the higher the frequency of grandmothers dying. Shockingly, they die very, very close to the date of the midterm and the final. Of course, we would never suspect students lying

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about a dying grandmothers and I basically described this as putting unjust burden, emotional burden on grandmothers.

I recommend that people cut off all ties with their families and then of course I say, no, the reality is that family is incredibly important. Social ties are what keeps us happy. It provides network support. It provides social support. It's incredibly important so let's not do that but the results about the frequency of grandmothers dying is just fantastic.

Roger: Right there are some, probably, it's so numerous it would be biologically impossible but that's really a great ... I'm going to ask you one last question here that's probably like asking a parent which child is their favorite but I'm going to do it anyway, Dan. You've done so many research projects and do you have a particular favorite, one where the results were so unexpected or the setup was so simple that you surprise even yourself?

Dan: I think the coin experiment I described earlier is one of my current favorite and of course it's recent. It could be because of that but I think for me the reason it is so interesting is because it's so simple. I think it holds the key to lots of changes. It's basically saying let's recreate the environment that reminds us of what's acceptable and unacceptable behavior, how we actually want to behave and let's think more carefully about these memory cues. The moment we can think of them, maybe we could get people to behave in a way that they would like to behave. I think this coin experiment for me is just a beginning of the way. It's certainly not the end but I think it points to a very important direction.

Roger: Right, I can see a lot of spin-off experiments from different domains coming from that. Great, let me remind our listeners, we're speaking with author and scientist, Dan Ariely. Dan's new book is *Irrationally Yours: On Missing Socks, Pickup Lines and Other Existential Puzzles*. It answers the question, how many

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behavioral scientists does it take to make you laugh. In this case, in Dan's case, it's just one. You'll really enjoy the book. You'll laugh but you'll also get some learning along the way. Dan, how can our listeners find you and your stuff online?

Dan: My website is danariely.com, D-A-N-A-R-I-E-L-Y dot com and we have all kinds of videos and information and descriptions of experiments. You're welcome to join.

Roger: Great. We'll have links to Dan's site in the other resources we discussed along with the text version of our discussion on the show notes page at rogerdooley.com/podcast. Dan, thanks so much for being on the show and good luck with the new book.

Dan: Thanks a lot and great to talk to you again. Bye for now.

Thank you for joining me for this episode of the Brainfluence Podcast. To continue the discussion and to find your own path to brainy success, please visit us at RogerDooley.com.