Would you steal a buck? How about a can of soda?

It's been a long road from being engulfed in flames in an explosion in Israel to leaving dollar bills in dorm refrigerators at MIT. But in an odd way, it's all connected.

Unexpected and surprising connections are at the heart of the fascinating research conducted by Dan Ariely, who holds joint appointments in MIT's Media Lab and Sloan School of Management. His studies of behavioral economics have demonstrated in a variety of creative ways that people often make decisions that seem to defy logic--but they do so in very predictable, consistent ways.

Hence the title of Ariely's new book, "Predictably Irrational" (HarperCollins), which catapulted onto The New York Times' bestseller list upon its Feb. 19 debut and has stayed there ever since.

Take those dollar bills as an example. Ariely has been fascinated with the way people rationalize their decisions about what is ethical or not. The small-scale tests he has carried out, though they involve only a few dollars, reveal patterns of thought that may be relevant to understanding how the leaders of a company such as Enron would engage in criminal activity involving hundreds of millions of dollars.

Here's how the test worked: Ariely and his students went around and left six-packs of Coke in randomly selected dorm refrigerators all over campus. When he checked back in a few days, all of the Cokes were gone.

But when he later placed plates of six loose dollar bills in those same refrigerators, not a single bill was missing when he checked back. Even though the value was comparable--and thus the situations were supposed to be equivalent--people responded in opposite ways. Why is that?

Ariely says that when he started reading about the Enron case, he was struck by what he calls some bizarre contradictions. "They didn't seem like career criminals," he says of the Enron officials. "They gave money to charity. This is not the image of people who are purely evil." And there were 10,000 people working for the company; obviously those were not all bad people. "Could it be that there was something in the structure of the company that allowed normal people to act this way?"

So Ariely, now the Alfred P. Sloan Professor of Behavioral Economics at the MIT Sloan School of Management and director of the eRationality Group at the Media Lab, started his small, simple tests of people's ethical decisions in everyday situations. The results, as with Cokes and dollars, were often quite striking.

For example, he gave people a test consisting of very easy math questions--but without giving them nearly enough time to finish. On average, people got four right out of 20. Then he had people take the test, score it themselves, shred the answer sheet and tell him how they did. Suddenly the average jumped to seven.

He repeated the experiment, paying people according to how many right answers they got. Same result. "Everybody cheated, but just a little." Even when there was no chance of getting caught--the evidence was shredded and participants paid themselves from a jar of money with over $100--nobody claimed 20 right answers. They just padded their results by a bit.

But then he tried another variation: Before doing the test, he asked one group of subjects to name 10 books they had read in high school. He asked another group to name as many of the Ten Commandments as they could remember. The group that listed the books followed the same pattern as the earlier test--they all cheated a little. But the group that named the commandments was different: Nobody cheated at all!

"Just the act of contemplating morality eliminated cheating," Ariely explains.

Though Ariely's book is often compared to the bestseller "Freakonomics"--both certainly share a quirky, hands-on approach to questions of everyday behavior--he says that in fact his research is almost the opposite of that book's. Those researchers found cases where people's behavior, even in seemingly irrational contexts, was perfectly rational and followed established economic principles. Ariely's work, by contrast, shows the consistently irrational ways people behave in situations where traditional economics predicts they would follow a course of rational self-interest.

Ariely's fascination with why people behave as they do and how they justify their own actions initially grew out of his own personal experience of suffering. He grew up in Israel, and at the age of 18 was in a bomb blast that burned 70 percent of his body. He spent three years in a hospital going through an excruciating recuperation that involved a daily hour-long ordeal of removing bandages from his burned flesh.

He was convinced that there was a better way of doing this process--starting with the most painful ones first, and taking frequent breaks to rest up. But the nurses insisted on the opposite--no breaks, and building up to the worst areas. After his discharge, Ariely decided to do some research on the question. The study, in which volunteers were subjected to controlled pain in different ways, confirmed that his approach was better.

"The nurses were wrong," he says. "But why were they wrong, when they had lots of experience and good intentions?" The question caused him to begin a lifelong exploration of situations "where good intentions and experience are not enough," and things somehow end up going wrong.

And so he began doing empirical testing of how people make choices. "MIT as a whole has a very applied perspective to the world," he says. Working here, "I fell in love with the experimental method."

Ariely explains that the ultimate goal of all of his research is a simple and earnest one.

"Behavioral economics can give kind of a depressing view" of how people make decisions, he says, but it can also be used to improve the way people make choices. Using these principles wisely, he says, "we might be able to design a better world."

Source: MIT