social triggers insider

Before you dive into this transcript, here's what you need to know...

You can find the original audio file here:

http://socialtriggers.com/social-triggers-jonah-lehrer/

Now here's what you'll learn in this discussion:

- Why you should never discount your products (Hint: when you do, you may be training the pain center in your customers' brain)
- How one company convinced me to drop a grand with the "painless sales technique."
- Why people make decisions with their emotions (Hint: If we were all like Spock, we'd be doomed)

And much, much more.

Now let's dive into the transcript!

Derek Halpern Interviews How We Decide author, Jonah Lehrer

Derek: Hello and welcome. This is Derek Halpern, founder of Social Triggers.com and today you're going to learn about how people make decisions. As marketers and business owners this insight is insanely valuable, so pay close attention. Because what you're going to learn today will surprise you.

You'll see how a small shift in words can drastically change the decision people make. And you're going to learn a whole lot of other cool stuff, too. And today with me I've got Jonah Lehrer, the author of the New York Times best selling book, *How We Decide*. He blogs at another blog called Frontal Cortex for Wired Magazine. He's got a column at the New Yorker, the Wall Street Journal. He's been featured on the Colbert and Colbert Report, and he's been cited across tons of different publications. This guy really is amazing when it comes to understanding how people make decisions. So, Jonah, with that note, thanks for joining me today and what's up? You ready to do this?

[01:02]

Jonah: I'm ready to have fun. Thanks for that.

[01:05]

Rational Thought and Emotion in Decision Making

Derek: Alright, cool. We're just going to jump right in. I know in your book, *How We Decide,* you talk about human beings really aren't rational. You know, we like to think we're rational creatures, but it's really the emotions that drive us when it comes to decision-making. Even though we don't necessarily want to agree with that. Now, as a marketer, we've long known that people buy on emotion and justify with reason, now before we get into some of the key points that I want you to make, I want you to tell me, from a neuroscience standpoint, why is it that people buy on, not necessarily buy on emotion but why do people make decisions with emotions? First logic.

[01:49]

Jonah: It's just the way our brain is designed. For thousands of years, ever since Plato, people have imagined themselves as rational creatures- rational agents. And this was a very influential idea and became a foundational assumption of modern economics, you know, economists discovered and come up with all sorts of elegant macroeconomic models, and simply assumed people were rational selfish creatures.

When we walk into a supermarket and we're trying to figure out what to buy, we carefully calculated the utilities so we could maximize it. It's a lovely idea. It makes us feel nice about ourselves, but it's just not true.

Paralyzing Rationality

Jonah: People aren't rational creatures. And this is one of the first things you discover, even the marketers may have known this for a long time, it's one of the first things you discover when you break open the Black Box and look at the brain. You quickly see we are very, very emotional. This has been demonstrated in numerous ways. One of the first very persuasive pieces of evidence came from Trey Workman and Tony Demacio, a neurologist, who in the early eighties began studying a patient named Elliott.

Elliott, who because of a brain tumor, had lost the ability to experience emotion, so he was a perfectly rational creature. He was like Spock; just a philosopher king- no errant emotion. You'd think if you were an economist, this would make Elliott a master decider, right? He's got no emotions, so he can just calculate a utility perfectly, and he should make the best decisions in the world.

Instead, what Demacio discovered was that Elliott was pathologically indecisive; that because he couldn't experience emotion, he was cut off. He really struggled to make the most mundane decisions. He would spend hours trying to figure out what to eat for lunch.

[03:43]

Derek: So, let's just break it down for a second. We sit here and we struggle about whether or not we should get the cell phone plan with a hundred minutes or the cell phone plan with a hundred and fifty minutes, or we'll go to the supermarket...

[03:50]

Jonah: Yes, and he'd spend all day debating that.

[03:52]

Derek: All day? Making just such a simple decision. So when you're rational, it's almost like you're incapable of making decisions. So emotions really are a benefit to us, is what you're saying, right?

[04:03]

The Initial Jolt of Feelings

Jonah: Yeah, well we need our emotions to give the world, which is full of different alternatives, to allow us to pick between those alternatives. Otherwise, you can come up with rationalizing reasons to prefer one cell phone plan over another, or why you should get Honey Nut Cheerios or Multigrain Cheerios. But you can also come up with reasons why we should prefer Multigrain Cheerios over Honey Nut Cheerios.

So it's very easy to invent reasons on the fly. That's what people do all the time. It's called confabulation. We can't help but do it. What we really need in order to make a decision, especially when it comes to making a quick decision- and we have to make lots and lots of decisions every day- what we really require are these emotions which are saying, "Just get it already!" And then we can invent reasons to justify those feelings. But what the science has discovered is the feelings often come first. That in many situations, we need that initial jolt of feelings to say, "Just get that for lunch. That's what you want." or, "This cell phone plan is better." When we're cut off from those emotions, we really don't know what to do. We just sit there inventing reason after reason after reason, but those reasons never really tell us exactly what we should get.

[05:13]

Derek: Alright. So I get that now. Now you kind of understand why emotions are really vital for people in decision-making, Now, what I want to talk about is the specific thing you talk about in *How We Decide*. Some specific case studies where decision making, which appears to have logical choices, ended up getting drastically changed by even just the wording of things. And the thing I want to talk about specifically is to talk about that study with those doctors, where on one case they can save people, on another case, people will die. Can you tell us more about that study right now?

[05:55]

Heads or Tails?

Joanh: Yes, you're referring to the Kahneman and Tversky these are two very inflectional psychologist Daniel Kahneman and Amos Tversky. They pioneered prospect theory and Kahneman went on to win a Nobel Prize. This is a scenario that really captures loss aversion. Loss aversion is a very simple principle to demonstrate. If I offer you a bet on the flip of a coin, where you have to pay me a dollar if it's heads, how much do I have to pay you if it's tails before you'll accept the bet? Would you accept the bet if I offered you $1.25?

[06:30]

Derek: I mean, I would, because I used to play poker, but I know what you're trying to say.

[06:33]

Jonah: Ok, most people will say, "Nah, nah, nah, nah. That's not enough." An economist would say, "That's crazy! The expected utilities are in your favor! You should take that bet every time. Fifty-fifty chances that the path's bigger for you." $1.50, most people would still say no. It turns out, the vast majority of people, you have to offer them about $1.75 or $2.00 on a dollar coin flip before they'll accept the bet.

[06:58]

Derek: So let's break that down. What you're trying to say is that a bird in the hand is really worth two-and-a-half birds in the bush.

[07:09]

Losses and Gains

Jonah: Yeah, in essence. What it demonstrates is, losses hurt more than gains feel good; that the prospect of getting one dollar from a bet doesn't feel nearly as good as the prospect of losing a dollar feels bad. We've got this weird kink in our preferences where, losses- the possibility of a loss hurts an insane amount, and gains feel good but they're fleeting. They don't last long.

Kahneman and Tversky were the first people to really study this- to really notice it. We've got this irrational quirk. And research discovered that this really drives a lot of human behavior. That loss aversion is a very powerful bias.

Worth the Risk?

So, in the example you cited, the scenario with doctors, they showed that when you ask professional doctors whether or not they'd be interested in pursing a risky medical treatment in which some people may die and some people may live, they are much more likely to take those risks- in fact, three times more likely to take those risks- when you frame it in terms of losses- when they aren't told about survivors, they're told about the people who are dying.

Simple framing in terms of a loss reminds us of losses and the possibility of a loss is so terrible to think about that we're more likely to do radical things- to take big risks- to prevent the possibility of loss. People will start doing all sorts of silly, reckless, and perhaps even foolish things, when you frame things in terms of losses, simply because they want to avoid losses.

[08:40]

Derek: As people who are selling things, you know I'm a sales guy, I've actually noticed, especially when I'm selling things to people- I'm selling things that can truly benefit people, not scams, not anything like that, something that truly has value, I've found that when I frame my sales pitch in terms of what someone is going to lose out on, it actually converts better than framing my sales pitch as in, "Here is what you're going to gain."

I think that's a perfect example of loss aversion in sales where a lot of people like to focus on the benefits, like, “Here's all these great things you're going to get from my product,” but sometimes, you can list ten benefits, but might only need to list, “Here's the thing you're going to lose out on if you don't have my product.”

[09:33]

Jonah: Very well said. The fact of the matter is that people are more sensitive to the possibility of losses. I use the word losses here, but I think one could take the idea of losses pretty generally.

Other studies have shown, for instance, that for every one mean thing you say to your spouse, you have to say about five nice things to make up for it. People are just really sensitive, exquisitely sensitive, to criticism, to anything that smacks of negativity. So when it comes to selling, it can be a powerful tool.

Loss Aversion and Marketing

I also think about some other effects related to loss aversion that having some pretty powerful marketing implications. One of my favorites is the importance of something called the endowment effect.

The endowment effect is, it grows out of loss aversion, which is a study by Richard Thaler and Danny Rayelli, what they found is that when someone has been endowed with something, when we take it into possession, it doesn't matter if it's a ticker to a basketball game or a coffee cup or anything, all of a sudden it becomes a lot more valuable to us.

All of a sudden, we're like, "Ah, this is MY coffee cup." And then when you ask them, "How much do you want to sell that coffee cup for?", now all of a sudden they mark up the price! It's not just a coffee cup- giving up the coffee cup involves a loss. And the possibility of a loss hurts, and so the coffee cup has become more valuable to them.

And I think of the endowment effect every time I walk into a store and try on a piece of clothing. Because you're in that dressing room, you're trying on a pair of jeans and in your head you take a little bit of ownership of it. You're trying it on, you're watching yourself in the jeans, you're modeling in front of the mirror, like, "Ah! These jeans are nice." And I know, that if I go into the dressing room and those jeans fit, that it's very tough for me not to buy them. I've in essence surrendered if I walk into the dressing room. I'm gonna buy it if I try it on, simply because I'm going to take subtle ownership of it, and then those jeans, or shoes, or T-shirt, or whatever, is going to become a lot more valuable to me, and now I'm willing to pay for it.

I do the things, there are subtle ways to play with loss aversion that don't necessarily even involve getting people to a loss frame, subtly they involve making it easier for people to take mental ownership of something. So then right away, the product becomes more valuable to them.

[11:52]

Painless Spending

Derek: I like the jeans analogy that you use. And that actually segues really well into my next question that I want to talk to you about. In your book, you talk about credit cards and how spending money with credit cards is really painless because it's just really easy to do and this kind of puts people into debt. It creates all these slews of problems.

But working on that same notion, could you tell me a little bit about why making something painless is so beneficial to getting people to take action on something? Visa and MasterCard know that it's easier to spend money with their credit card than it is probably with cash. So why don't you tell us a little bit more about that?

[12:36]

The Nucleus Accumbens and the Insula

Jonah: Sure, this grows out of a cross experiment done by George Loewenstein at Carnegie Mellon and Brian Knutson at Stanford, and it's a pretty straightforward experiment.

What they did was they brought a lot of undergrads into the lab, put them in a brain scanner, and then offered them various items that undergrads generally like. So, Harry Potter books, stupid comedy DVDs, George Forman grills, stuff like that.

What they discovered is when they showed people an item they really wanted- so let's say you've been craving that George Forman grill for months, you've watched the infomercial, you REALLY want that George Forman grill, you've thought about all the delicious things you're going to cook with that George Forman grill- so when they show you the George Forman grill, a part of the brain called the nucleus accumbens lights up. It's a part of the brain that's closely associated with things like sex, drugs, and rock and roll. It's a center of pleasure in the brain. When you have sex, the accumbens lights up like a Christmas tress. It generates those feelings of pleasure and desire. And that's not particularly surprising, you know when we see something we want, the accumbens should light up. There's lots of research suggesting that would be the case.

But then they found something interesting. They showed people the price tag, you showed them how much the George Forman grill costs, a part of the brain called the insula got very active.

The insula does lots and lots of different things, but it is closely associated with feelings of pain and disgust, so feeling nauseous, having chronic back pain- these are all things that increase activity in the insula. And what the scientists discovered, they could predict with very high levels of accuracy whether or not someone was going to buy an item, be it Harry Potter books or the George Forman grill, by simply looking at their relative activation of these two brain areas.

So if the nucleus accumbens was more excited, then they would typically buy the item, whereas if the insula was more excited, if the pain of paying for it exceeded the pleasure of getting it, then they almost never bought it.

Now, what's kind of interesting is you can begin to think about how retailers really do play with this emotional tug-of-war taking place inside the brain. This really, I think, does help clarify where a lot of our retail decisions come from. We outsource the decision, not to the rational parts of our brain, but to these two emotional areas that allow us to measure, is the pleasure of getting this going to exceed the pain of having to pay for it.

I was thinking this when you walk into a big rockstar, Costco warehouse, and what's the first thing you see? You see this wall of HD televisions, something everybody wants, we all want a bigger, better television. So they're priming the pleasure center. And then you walk along the busiest isles, the busiest corridors; do they put the toilet paper there? Do they put the laundry detergent? No, they put the stuff everyone wants. They're all like Swatches, the iPods, the DVDs.

They're always trying to prime the pleasure pump. That's also why they give out all these delicious free snacks. They want you to always be thinking about satiating your pleasure, making you excited. Of course, you can also get people to buy more by quieting the insula, by turning down the volume on that brain area that tells us not to spend money. And this returns us to credit cards. The one thing credit cards do, and this is what scientists have found, they reduce activity in the insula.

The insula doesn't quite understand what's happening when you swipe a credit card. When you have to pay with cash, your wallet's literally lighter. You hand over something and you've lost something. It's tangible. Where with the credit card, you just swipe a piece of plastic and it'll show up on a bill thirty days in the future. But the insula doesn't understand that, and so the end result is it's not as active. As a result, that tug-of-war has been warped and people spend money they don't have.

[16:21]

Derek: Now, the reason why I thought about this question is you were talking about jeans, and just few weeks ago, I got a phone call from Nordstrom. They gave me a call, they said, "Derek, we know you like to buy Burberry stuff. We got a lot of new Burberry stuff in. Why don't you come in?"

So I got this nice phone call and, being a marketing person- first things first, I felt great that they gave me a call. So I know what they're doing and I'm aware of what was going on, but I went into the store anyway. I got into the store and as soon as I got there, the guy that called me walked me into the dressing room, had all of the clothing that he thought that I would like, in my size, hanging in the dressing room, and said, "Here Derek, here you go. Start trying on the stuff and find out what you'd like."

Now, this is a relatively painless experience. As a guy, I hate looking for clothes. I hate trying on clothes. I hate finding my size. That's completely painless right there, so me spending money on clothes, I guess, would activate my pain center because I would have to look for all these certain things. I'd have to look for my size. I'd have to look for what I want- all this stuff. They made it where I never had that pain center activated. Saw the clothes, picked out the stuff I wanted.

As I'm trying it on, I was taking ownership of the stuff I was trying on, like you had mentioned, and before you know it, I spent over $1,000 on clothes, when I woke up that day with no intention of spending any money on clothes, because they got rid of the pain of spending the money.

[17:50]

Jonah: A big part of bypassing the insula involves making things as frictionless as possible. What worries is me, is now you don't even have to get out your credit card.

Now, when I'm at CVS, now you just wave your cell phone. Or you're buying gas and you just wave your key chain. I think there is this drive by retailers to make the whole experience, whether it’s clothes shopping or paying, as frictionless and mindless as possible. And that's great, that's convenient. It makes our lives a little bit more efficient. But I think it does come with a cost. And we're less sensitive to the fact that we're spending money. And especially in this day and age where we're still trying to get out of the hole of over-leverage, where part of the problem is people spend money they didn't have, I'm not sure it's always wise. Sometimes you really want to be aware that you just dropped a grand on clothes.

[18:42]

Derek: It was ok, and I didn't spend money that I didn't have in that particular case.

[18:49]

Jonah: Of course, but many people are. And I like it when retailers make it easy to check out, I love credit cards, I hate carrying around cash. But I think it's important to realize there are trade-offs in the brain. That the convenience of credit cards makes it easier to spend money we just don't have.

[19:07]

Derek: But as a business and as a retailer, as a marketer, it really shows that even though you're not trying to convince people to spend money they don't really have, it makes sense from a sales perspective, to try and make it as painless as possible, which is why all these retailers are going that route.

[19:23]

Quieting the Insula

Jonah: Clearly, if you're in the sales business, you love credit cards. And if you're in the sales business, you want to make it as painless as possible. There are other ways, I think, to quiet the insula- sometimes simply just reassuring people.

There are studies showing that when supermarkets put those little signs below an item saying, " Super Low Value!", that even when they don't change the price, or even when they haven't made it cheaper, sales still go up between 20-40%.

And I think part of what's going on there, is just reading, "Super Low Value!" just reassures the insula that we're not getting ripped-off. One of the main jobs of the insula is to make sure we not getting ripped-off, that we're not spending more money than we need to. So when it sees, "Super Low Value!", it's like, "Oh! Ok, so it's super low value. I can buy this."

Why is the tag line for Walmart, "Always low value. Always?" It's all about reassuring the insula that when you walk into the store, you're always going to get a low price. And it's the same with Costco, the whole atmosphere of the store is all about reassuring you that you are not going to get ripped-off, "We're going to offer you the best deal. So don't even worry about the price- if you want it, just buy it." It's all about reassuring.

[20:43]

Derek: Makes complete sense. From a sales perspective, you always want to reassure people that they're not getting ripped-off. You always want to make things as painless as possible. And that's really the take-aways for the marketing people. But on the same token, as people in general, we've got to be aware that it's painless to buy stuff and we might be making decisions because it's so painless. We might be making the wrong decision because it's painless. So it's good to know about it as a marketer, but as human beings, it's good to know that you might be affected by this, also.

[21:15]

Jonah: If you're a consumer, you probably want to cut up your credit cards. If you're a retailer, you want everyone to have multiple credit cards.

[21:25]
Irrational Decisions

Derek: This is a really good segue into what I want to talk about next. You want to make things painless, yes. But let's talk about how people can make irrational decisions. And more specifically, you talk about Deal or No Deal. And in one specific case, you said that one contestant was offered, let's say, a hundred thousand dollars, and it was less than the average of all the briefcases combined, so he didn't want to take that deal, so he said no deal on that particular deal. It wasn't worth it from a math perspective. He ended up picking a briefcase- picking one of the high dollar briefcases- then, the guy behind the bank felt bad for him, and since he picked out one of those high-dollar briefcases, they offered him like $6500 instead.

[22:17]

Derek: Yeah, where if you were a rational person, you would have chosen that. If he was a rational person, he would have accepted the deal. Because it was better than the average of the remaining suitcases, but since he could have just potentially won a hundred thousand dollars, he's no longer looking at it rationally. He's looking at it from a perspective of, "I could have had hundred thousand, now I'm only getting sixty-five hundred, and he's making the wrong decision, rationally. Can you tell us a little about that?

[22:40]

Jonah: That gets back to loss aversion. What they found is that when people suffer a big loss, they become what's called risk seeking. If you've just gone from the possibility of making $100,000 for being on TV for 10 minutes, then you picked the wrong suitcase and all of a sudden you've lost basically $95,000. Now your best option is $5,000, now you don't want to take it. All of a sudden, that doesn't seem like a good deal, when it is a good deal. They're offering you a better deal than you deserve. And all it would take is five seconds of arithmetic for you to realize that, but it doesn't feel like a good deal. It feels like a huge loss. It feels like you just lost $95,000.

As a result, people become risk seeking. It's something poker players know very, very well. I talked to professional poker players, and I had the pleasure of spending time with a bunch of them. After a really bad hand where they just lost a lot of money, their tendency is to become overly risk seeking, to get too aggressive. They try to win it back. But that's when you lose even more money. The best poker players have a self-awareness built in where, "Oh, God, I just lost a lot of money. I gotta make sure I don't become too aggressive and don't lose even more." It's just a human tendency we all have, and it's something to watch out for.

[24:02]

Derek: I want to frame this in a specific marketing instance, and I know that you might have seen this. A lot of conferences, when they sell conference tickets, they'll usually have early bird pricing. Like you get this ticket and the conference is six months away, you'll get the ticket for $300. If you wait three months, it'll be $600. And if you wait until day-of, it's $900. Have you ever seen that kind of pricing?

[24:28]

Jonah: Yeah.

[24:29]

Don’t Piss Off Potential Customers

Derek: Alright, so, what's really interesting to me, is there's some websites where they'll publish that the ticket is $300, but when that time elapses, and it's no longer a $300 ticket, they'll x it out, and then say the ticket is now $600. But they'll leave the $300 crossed through on the sales page. Now this is what's really interesting to me, because I know when people go to a website and they see that they lost out on the $300 price tag, the $600 price tag makes them a lot more frustrated, to a point where they might not want to take that $600 price point, because they felt like they could have had it for $300.

[25:15]

Jonah: Yeah. I think there's something about loss aversion in that, too, in general, I don't even think you need to invoke neuroscience. Don't piss off potential customers. Don't make your potential customers fell like they've already been screwed.

[25:29]

Derek: As one quick example, as a quick take-away for people who are listening, if you ever sell something at a discount, and that discount is no longer available, don't make it so easy to see that there was a discount to begin with, because it's going to piss off people who are paying full price.

[25:46]
Sales Come with a Trade-Off

Jonah: I'd almost bring up the insula here again. Here's the brain area that wants to make sure we're not getting ripped-off- when it knows that someone else has just spent half as much on a conference ticket.

I used to feel the same way. I used to always shop at the Gap. That's where I bought all my T-shirts. I'm not particular about clothes, or whatever, so I'd just buy all my stuff at the Gap. And they'd always have all these big sales. A couple of years ago, is when it started going downhill when I'd walk in and say like, "Ugh, I bought that sweatshirt for full price, now it's 50% off!"

And it kept happening to me. And it was so frustrating, so annoying, that I was like, "I'm never going to pay full price ever again in this store." So I do think we have to realize that sales also come with a trade-off. That when you have too many sales, when you program people to expect that full price is a rip-off, then you're really training the insula.

So now the insula's going to get very active, and here I'm speculating which brain area is actually involved because there is no actual experiment that looks at sales per se, but the part of the brain that responds to fear of spending too much money is going to get active, because you've trained it to not pay full price, because this is going to go on sale. So I think people have to use sales judiciously. You have to price your products correctly. People look at the full price and say, "You know what? This is worth it."

[27:12]

Derek: You know, I'm actually very big on telling people to almost never discount their products because if you do discount the products you're going to train your customers and your buyers to only buy your stuff when it's discounted, and that's a bad place to be, especially as a sales person.

[27:32]
Immediate Gains and Long-Term Consequences

Jonah: I was going to agree. The interesting thing about sales is it's never enough. I had 10% last year; I want 20% this year. Sales make us all very greedy.

[27:48]

Derek: I know I'm taking a lot of your time right now; I want to ask you one last question. There's one thing you called out in the book, and it really hits home with me. So I want to ask you this question, give you a chance to talk about a little bit, then I'm going to add just a little bit of extra stuff to it.

Now, you said in *How We Decide*, people value immediate gains over long-term consequences. Can you talk a little but more about that? I know we talked about credit cards. How they want the immediate gain of buying a product where they pay for it later, they value the immediate gain now as opposed to the long-term consequence later. Can you just tell us a little bit more about that?

[28:24]

Jonah: Our emotions are often very wise, they often know more than we know. They're often great tools to rely upon when shopping simply because they have a good handle on what we actually want. In many situations, they outperform our rational thought processes.

But our emotions come with one major blind spot, which is that they don't do a good job of thinking about the future. They don't really understand the future, which is why they don't understand credit cards- why they always pick the wrong mortgage. The distant future is incomprehensible to them. It's not that good at taking into account.

And I think one of the consequences of this is that people are really impulsive. Experiment after experiment has demonstrated this, that's it's really tough for us to say no to an immediate pleasure, to satisfying ourselves right away. It doesn't matter if we're talking about chocolate cake or a new cashmere sweater. Even if it were smarter to hold off on it, to stick to our diet, or to save that money and put it into a retirement savings account, that delayed gratification is a very tough thing, in large part because our emotions just don't understand delays, they don't understand the future.

[29:31]

Seven Years Plus Three Months is Just Too Long

Derek: Now, I have a really funny story that I think you'll appreciate about this whole people valuing instant results. I've got a friend who works at a law firm. And the law firm they work with, they deal with like major law suits where they get thousands of people to sue, let's say a pharmaceutical company, and then the lawsuit will go on for like seven years, and then finally, when the lawsuit is won, they alert their clients that hey, congratulations, we've won the lawsuit. You're going to be entitled to some money.

As soon as the clients hear that, they go insane. They don't' want to wait for the money any more. They just waited seven years, but as soon as they hear they're entitled to that money, they don't want to wait for that money any more. And actually, one person called up my friend and left this voicemail: He said, "You're up in the penthouse, I'm in the basement. You're starving me out. I want my money now." And this is like a direct voicemail.

Now what's really interesting to me, because then, all these companies popped up- settlement loan companies- where when you've discovered you're entitled to money from a settlement, instead of waiting three or four months for the settlement to come through, you can call up a settlement loan company. They'll give you money today based on your settlement and they'll keep up to 50% of your settlement so you don't have to wait three months for it. And this is a multimillion dollar business where people are entitled to these settlements, they wait seven years for these settlements, and as soon as they find out they’re entitled to get money from the settlement, the instant results thing kicks in, and they are sacrificing up to 50% of their settlement because they can't wait another three months.

[31:05]

Jonah: Yeah, that doesn't speak well of the human nature, but you know it's just the way we're built.

[31:15]

Derek: I just wanted to share that little anecdote. I thought that was really interesting.

[31:18]

Jonah: It's very interesting. We'd often have better lives, happier lives, this is what the research suggests, if we had more self-control. When you look at these longitudinal studies of self-control, it turns out that self-control- which is in part about the ability to delay gratification- is really one of the most important traits there is.

It's one of the most predictive traits of lifelong success. It doesn't matter if you're measuring success in term of academics, in terms of income, or in terms of satisfaction.

Being able to take the future into account, being able to endure a little short-term suffering for the sake of a long-term gain, that's a crucial life skill.

[31:56]

Derek: Just to close us off, I know you wrote *How We Decide*, and there's one other thing, we just went through this great interview together. We had some good stuff that we share with everyone. Here's one thing about self-control that you talked about in *How We Decide*, that if you haven't read this book buy Jonah, you should buy the book right now, just for this one part where you talk about how the four-year-old's practicing self control with marshmallows. And how that was a much better predictor of IQ, or something like that. No, no, it was a much better predictor of success.

[32:29]

Jonah: It was a much better predictor of their high school grades and GPA than their IQ scores.

[32:35]

Derek: Yes, so if you haven't read Jonah Lehrer's book *How We Decide*, pick it up, as you can see, this guy knows everything. He's literally the man when it comes to understanding how humans think. And he’s actually got another book coming out next year which I believe is called, *Imagine*, and that's about how creativity works, right?

[32:52]

Jonah: That's right.

[32:53]

Derek: So, we're going to link all this stuff up below this little podcast today and this little show, and you also can visit Jonah Lehrer on his blog, The Frontal Cortex, which can be found at Wired, I'll link that up. And Jonah, thank you for doing this with me today. This was a lot of fun. I really appreciate that.

[33:11]

Jonah: Thank you. This was fun. My pleasure.

[33:12]

Derek: Alright everyone, thank you for joining us. Derek Halpern out, Jonah's gone, and have a great day.

social triggers insider