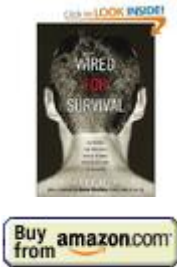


## An Economist Discovers the Mind

A review of



**Wired for Survival: The Rational (and Irrational) Choices We Make,  
From the Gas Pump to Terrorism**

by Margaret M. Polski

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Reviewed by

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A humbled Mr. Greenspan admitted that he had put too much faith in the self-correcting power of free markets.

(Andrews, 2008, p. B31)

With the economy facing catastrophic collapse, Alan Greenspan, chairman of the Federal Reserve for almost 20 years, admitted that his guiding theoretical principles may have been wrong. This was just one more blow to the self-esteem of economists, but his admission came as no surprise to those who knew that economic models do not describe the behavior of the average person. Most economists have ignored that warning, until now. But when a political economist schooled in the same tradition as Greenspan concludes that humans are not after all “dispassionate optimization machines” (p. 111), we have further confirmation that a new approach to setting national policy is required.

Margaret Polski is an experienced political economist who has consulted widely for businesses and government agencies. In *Wired for Survival: The Rational (and Irrational)*

*Choices We Make, From the Gas Pump to Terrorism*, she reviews a broad range of neurological and behavioral phenomena that are associated with decision making. She hopes that, by basing policy on a more accurate view of the human mind, policy analysts might avoid further disasters that could stagger the nation. Perhaps her audience will be more receptive to the idea when it comes from a member of their own group. Unfortunately, there are weaknesses in Polski's presentation that will limit any beneficial effect that the book might have.

Her stated goal is to "come to grips with what we are learning about the brain, choice, and change, and to figure out how we can use this new knowledge to make the kind of choices that will help us to prosper in the challenging years ahead" (p. 5). She hopes to use recent research and theory from the behavioral and brain sciences to inform policy decisions.

One might hope for a carefully reasoned discussion that moves from an analysis of past mistakes, to a diagnosis of causes, to an assessment of alternative procedures, to a set of recommendations. The outlines of such an analysis can be found here, but Polski's argument is not easy to follow. She has an engaging, freewheeling style that makes the book easy to read. No specialized background is required to understand her presentation. However, her style makes it difficult to identify the logic of the argument.

She begins with an overview of the international oil market and a brief history of political economics. This overview leads her to conclude that standard economic models are inadequate to explain human behavior and that policy analysts should change their view of human nature. Few would quarrel with the conclusion, but it is not clear how Polski gets there from the historical review.

Next she provides a broad summary of brain mechanisms. Her assertion that new views of human nature will emerge from a study of the neurosciences is reasonable, but her presentation of the material makes it hard to see how this will happen. She describes the brain using the analogy of the "Russian doll"—a set of nested dolls, each containing a smaller one inside. The idea has a certain charm, but the analogy offers no obvious insights into the organization of the brain. The chapter ends with an extensive review of posttraumatic stress disorder, although how this fits in with the overall theme is not clear.

Polski moves on to review recent research on thinking, perception, memory, knowledge, and motivation. She concludes that the most important determinants of thinking are intuitive and occur primarily outside conscious awareness. She describes intelligence as an embodied mechanism in which the sensitivity to internal states is essential to understanding a problem. She uses research from the neurosciences to emphasize the interaction of mind, body, and environment. Her discussion of motivation focuses on intrinsic motives and social conformity, rather than the material incentives that are the foundation for classic economic theory.

This view of human nature is not unreasonable. The idea that the best decisions are made at an intuitive level is somewhat controversial, but some researchers (e.g., Dijksterhuis, Bos, Nordgren, & van Baaren, 2006) have presented evidence in favor of the

assertion. Polski's view of intelligence as an embodied process is consistent with theories suggested by, for example, Andy Clark (1997). The assumption that intrinsic and social motives may be more important than external incentives has long been held by motivation theorists.

The presentation is interesting and ingenious, though flawed by small errors that may stem from Polski's limited knowledge of psychology and neuroscience. For example, she makes misleading reference to concepts like theory of mind and satisficing. She conflates group think and conformity, and she takes a rather limited view of what philosophers mean by the mind-body problem.

## **The Prospect for Improved Policy Decisions**

Polski's purpose is to suggest ways to improve the policy-setting process. Her recommendations come in the final chapter, after the review of the research on thinking and motivation. To evaluate these recommendations, one must ask whether they make sense in the light of her analysis of human behavior.

Unfortunately, she makes her case by anecdote rather than by analysis. There is no reasoned assessment of alternative views, nor is there any indication of how and why her view of behavior would improve national policy. While most psychologists would agree that intuitive, embodied reasoning is important, it may be a mistake to ignore factors such as cognitive-processing capacity. People are indeed unaware of many of the processes that affect their thinking, but we cannot forget that much decision making is quite deliberate. It is well established that social motives are important, but behavior is not independent of nonsocial incentives such as money.

The problems Polski addresses in the final chapter are important. She offers recommendations for handling the energy crisis and modern warfare, and for regulating financial institutions. It is hard to evaluate the recommendations, though, since it is not clear how they follow from the preceding chapters or how they implement her view of human nature.

Polski ends with some general recommendations for setting policy. They are all pretty harmless but are probably not helpful. Such bromides as suspending judgment, trying to understand others, choosing the approach that best fits the situation, and striking the right balance will have little impact on decisions that have to be made when setting national policy.

The strength of conventional economic theories has always been their mathematical precision. Of course, they have typically been grounded in plausible axioms rather than in empirical observations, and that has been their downfall. In contrast, psychological theories are too often rather vague, even when based on observed data. Rational decision making

would profit from a theoretical approach as rigorous as conventional economic theory but more in tune with research findings. One economist who has attempted to build such a theory is Gintis (2009). He has developed an extension of game theory (an old standby for economists) that can model irrational behavior and social motives. This approach probably offers a more promising new direction for the analysis of choice behavior.

Other authors recently have offered valuable ideas and suggestions. Arieli (2008) and Thaler and Sunstein (2008) have provided nontechnical treatments based on current research and theory. The former describes an extensive set of studies that explore reasons why people make irrational choices. The latter authors suggest concrete steps that policy makers might take to encourage good choices.

It is comforting to see that someone in Polski's position recognizes the need for a new approach to economic policy. The behavioral and brain sciences surely provide a good foundation for economic theories. I am not optimistic, though, that this book will have much impact. The treatment of the scientific background is sketchy, and there is no well-reasoned set of conclusions that one can derive from the presentation.

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