

Economics Helps You Deal with Difficult People

You wake up to the realization that you have an important meeting in 30 minutes. You leap out of bed, throw some clothes on, grab your keys, and rush out the door. You're halfway to your car when you see it.

It's not a moment of zen, but of economics.

Somebody has slashed your tires.

You're a 30-year-old startup founder, but suddenly you become a 60-year-old curmudgeon. "Hooligans! Scum of the earth! If I ever got my hands on them, I'd..."

Then you stop, and a strange calm comes over you. Is it your meditation practice kicking in? No, the look on your face is not one of serenity, so much as one of curiosity and resolve.

It's not a moment of zen, but of economics.

Far fetched? Actually, no. The economic way of thinking can be a powerful tool for dealing with life's challenges. In fact, you might even say that economics can be a form of self-help.

Understanding Action

The kernel of economics is the concept of human action: of purposeful behavior. Action involves seeking goals according to one's own preferences, which are influenced by incentives.

And all action is rational in the sense that it is based upon available information, however incorrect and incomplete, and upon ideas, however fallacious and flawed, about cause and effect, means toward ends.

Such a response might make one feel superior and self-satisfied, but really it's self-disempowering.

This may seem pretty common sense, but all too often we seem to disregard these truths. When faced with the problematic behavior of our fellow human beings, we often dwell on the moral defects or perceived absurdity of that conduct. "He's just a monster." "She's just irrational." "They're just a bunch of idiots."

To take an extreme example, after 9/11 and at the beginning of the Afghan War, when asked by the press of his estimation of Osama bin Laden, a top U.S. general could only offer the answer, "He's a madman." Nothing about the terrorist's motives or cause,

however sinister and unjust. Nothing about his strategy, however diabolical. Just, “He’s a madman.” With such a crude approach to assessing a mortal enemy as this, it is no wonder that the War on Terror has failed so spectacularly.

Such a response might make one feel superior and self-satisfied, but really it’s self-disempowering. It stops, dead in its tracks, all analysis, all understanding, all progress toward solutions. It can lead to despair of having any kind of influence on others whatsoever. And it drastically dwindles one’s toolkit for effectively dealing with human actors. Individuals considered as nothing but mindless inhuman obstacles can only either be avoided or overcome with force.

Transcending Office Politics

But what if neither option is on the table? For example, what if you’re dealing with a co-worker who is always looking to sabotage you at a job you don’t want to quit? You can’t just hide from him in the storage closet. You can’t just smack him in the face with a keyboard, like James McAvoy did to Chris Pratt in the movie *Wanted*. Without the economic way of thinking, all you can do is simmer in resentment. Maybe you’ll find petty consolation (and even some lulz) in trying to make his life miserable in return, like Jim Halpert putting Dwight Schrute’s stapler in Jell-O in *The Office*.

Economics reminds us that, however depraved, however imbalanced, however impaired, all human beings act according to preferences, information, and incentives. So when someone gives you grief, instead of stewing in contempt and judgment, try grappling with and modifying those preferences, that information, and those incentives.

Can you induce a preference shuffle in your nemesis?

Why is that colleague trying to sabotage you?

Maybe his preferences are such that he cares more about his own career advancement than about being part of a functioning and collegial team.

Maybe these preferences are shaped by incentives that arise from the fact that your company started moving away from private clients and toward government contracting. So the organization has become more bureaucratic and hierarchical, and less geared toward efficiency and service. In such a context, it’s not surprising that he would place rank-climbing above collaborative value-creation.

Maybe his information, gleaned from his life experiences, tells him that the only way to climb the corporate ladder is by pulling someone else down.

Now that you have an idea where he’s coming from, you can consider whether you can

change those preferences, that information, and those incentives.

Can you alter the incentive structure by convincing your CEO that the government contracts are changing the organizational culture for the worse, and that the company should shift back to private clientele?

Can you induce a preference shuffle in your nemesis by helping him with one of his projects, thereby showing him the benefit of cooperation for one's career?

Can you change his information by recommending to him a **book** that explains how it is value-creation and not resume-padding that will make his career and work life thrive?

Lifhacking

The economic way of thinking can also help you better deal with the person who can at times be your worst enemy: yourself.

Too often we assess ourselves as crudely and unproductively as we assess others, again dwelling on judgment. "My relationships keep failing because I'm just a bad person." "I can't lose weight because I simply have no self control." "I keep making bad career decisions because I'm such an idiot."

How can you hack your incentive structure?

What a useless kind of evaluation!

Again, you, like all other human beings, act according to preferences, information, and incentives. So, instead of wallowing in self-loathing, think about how you can hack those preferences, that information, and those incentives.

How can you hack your information so as to alter your choices? Maybe the diet you've chosen is unsustainable, and you need to do research to find one that you can stick to without always feeling hungry. Maybe you and your partner have mismatching expectations for your relationship, so you need to talk it out and come to understand each other.

How can you hack your incentive structure so as to adjust your preferences? Is living at home sapping your self-reliance? Why not move out? Is being in school squashing your initiative and enterprise? Why not drop out? Is your job at the DMV or some other government office making you indolent and surly? Why not quit?

From Pathology to Play

When you treat yourself and others as pathological creatures, as senseless, stubborn

beasts, life becomes a dreary slog to be suffered and endured: like trying to squeeze your way through a vast herd of heedless cattle.

But when you look at humanity through the lens of economics, correctly seeing yourself and others as purposeful beings with dynamic preferences, information, and incentives, life becomes play: a massively multiplayer game full of creative challenges in which the best strategy is to win friends and influence people.