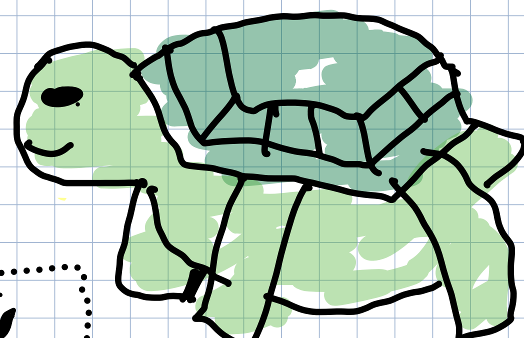
Thinking Fast and Slow

by Daniel Kahneman

- Two thinking systems
- Biases
- Everyday decisions



System 1 vs System 2

System 1	System 2
Fast	Slow
Automatic	Logical
Emotional	Deliberate
Survival Driven	Analytical
Pattern Based	"Corrects errors"

Anchoring

Is a redwood...
Taller than
1,200ft or 180ft

Initial number = Anchor

Guesses shift towards the Anchor

Availability Bias

- If it's vivid it feels likely
- Media ≠ probability
- Rare events feel common

LOSS AVERSION

coin flip — $1000 LOSS / $1100 GAIN

- Losses hurt more than gain feels good.
- People avoid fair gambles

Fear > reward

People act faster to avoid loss

FRAMING

Same box, two labels

10% chance of DEATH	90% chance of LIVING

- Same stats, different feelings

Framing shapes emotion
Emotion shapes choice

SUNK COST FALLACY

777

Casino | Old chair | Candy

- Past cost shouldn't decide future choice
- But it does

Money already spent ≠ continue