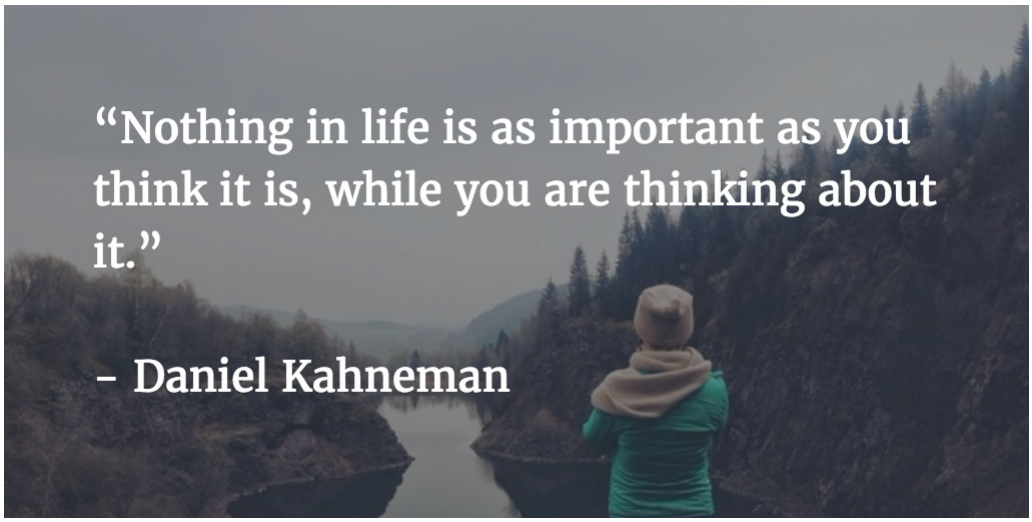
Thinking Fast And Slow Summary

1-Sentence-Summary: *Thinking Fast And Slow shows you how two systems in your brain are constantly fighting over control of your behavior and actions, and teaches you the many ways in which this leads to errors in memory, judgment and decisions, and what you can do about it.*

Read in: 4 minutes

Favorite quote from the author:



Say what you will, they don't hand out the Nobel prize for economics like it's a slice of pizza. Ergo, when Daniel Kahneman does something, it's worth paying attention to.

His 2011 book, *Thinking Fast And Slow*, deals with the two systems in our brain, whose fighting over who's in charge makes us prone to errors and false decisions.

It shows you where you can and can't trust your gut feeling and how to act more mindfully and make better decisions.

Here are 3 good lessons to know what's going on up there:

1. Your behavior is determined by 2 systems in your mind – one conscious and the other automatic.
2. Your brain is lazy and thus keeps you from using the full power of your intelligence.
3. When you're making decisions about money, leave your emotions at home.

Want to school your brain? Let's take a field trip through the mind!

Lesson 1: Your behavior is determined by 2 systems in your mind – one conscious and the other automatic.

Kahneman labels the 2 systems in your mind as follows.

System 1 is automatic and impulsive.

It's the system you use when someone sketchy enters the train and you instinctively turn towards the door and what makes you eat the entire bag of chips in front of the TV when you just wanted to have a small bowl.

System 1 is a remnant from our past, and it's crucial to our survival. Not having to think before jumping away from a car when it honks at you is quite useful, don't you think?

System 2 is very conscious, aware and considerate.

It helps you exert self-control and deliberately focus your attention. This system is at work when you're meeting a friend and trying to spot them in a huge crowd of people, as it helps you recall how they look and filter out all these other people.

System 2 is one of the most 'recent' additions to our brain and only a few thousand years old. It's what helps us succeed in today's world, where our priorities have shifted from getting food and shelter to earning money, supporting a family and making many complex decisions.

However, these 2 systems don't just perfectly alternate or work together. They often fight over who's in charge and this conflict determines how you act and behave.

Lesson 2: Your brain is lazy and causes you to make intellectual errors.

Here's an easy trick to show you how this conflict of 2 systems affects you, it's called the bat and ball problem.

A baseball bat and a ball cost $1.10. The bat costs $1 more than the ball. How much does the ball cost?

I'll give you a second.

...

Got it?

If your instant and initial answer is $0.10, I'm sorry to tell you that system 1 just tricked you.

Do the math again.

And?

Once you spent a minute or two actually thinking about it, you'll see that the ball must cost $0.05. Then, if the bat costs $1 more, it comes out to $1.05, which, combined, gives you $1.10.

Fascinating, right? What happened here?

When system 1 faces a tough problem it can't solve, it'll call system 2 into action to work out the details.

But sometimes your brain perceives problems as simpler as they actually are. **System 1 thinks it can handle it, even though it actually can't, and you end up making a mistake**.

Why does your brain do this? Just as with habits, it wants to save energy. The law of least effort states that your brain uses the minimum amount of energy for each task it can get away with.

So when it seems system 1 can handle things, it won't activate system 2. In this case, though, it leads you to not use all of your IQ points, even though you'd actually need to, so our brain limits our intelligence by being lazy.

Lesson 3: When you're making decisions about money, leave your emotions at home.

Even though Milton Friedman's research about economics built the foundation of today's work in the field, eventually we came to grips with the fact that the *homo oeconomicus*, the man (or woman) who only acts based on rational thinking, first introduced by John Stuart Mill, doesn't quite resemble us.

Imagine these 2 scenarios:

1. You're given $1,000. Then you have the choice between receiving another, fixed $500, or taking a 50% gamble to win another $1,000.
2. You're given $2,000. Then you have the choice between losing $500, fixed, or taking a gamble with a 50% chance of losing another $1,000.

Which choice would you make for each one?

If you're like most people, you would rather take the safe $500 in scenario 1, but the gamble in scenario 2. Yet the odds of ending up at $1,000, $1,500 or $2,000 are the exact same in both.

The reason has to do with *loss aversion.* **We're a lot more afraid to lose what we already have, as we are keen on getting more**.

We also perceive value based on *reference points.* Starting at $2,000 makes you think you're in a better starting position, which you want to protect.

Lastly, we get less sensitive about money (called *diminishing sensitivity principle*), the more we have. The loss of $500 when you have $2,000 seems smaller than the gain of $500 when you only have $1,000, so you're more likely to take a chance.

Be aware of these things. Just knowing your emotions try to confuse you when it's time to talk money will help you make better decisions. Try to consider statistics, probability and when the odds are in your favor, act accordingly.

Don't let emotions get in the way where they have no business. After all, rule number 1 for any good poker player is "Leave your emotions at home."

Thinking Fast And Slow Review

Kahneman's thinking in *Thinking Fast And Slow* reminds a bit of Nassim Nicholas Taleb's *Antifragile*. Very scientific, all backed up with math and facts, yet simple to understand. I highly recommend this book!

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What else can you learn from the blinks?

- How priming can make you walk slower, just because you read the word "Florida"
- What the halo effect is, and how it makes you judge people the wrong way
- Why the substitution heuristic might make you vote for Hillary Clinton, even though all you know is what she looks like
- What base-rate neglect is and how it can ruin a wonderful streak
- The consequences of duration neglect and the peak-end rule
- How you can use cognitive strain to remember things better
- What the Mr. Jones experiment can teach you about statistics
- Why cognitive coherence might trick you into wearing shorts on a cold day

Who would I recommend the Thinking Fast And Slow summary to?

The 17 year old with an interest in biology and neuroscience, the 67 year old retiree with a secret passion for gambling, and anyone who's bad at mental math.