

Module 1: Thinking Fast, Thinking Slow and The Illusion of Objectivity

Let's begin the course by answering a simple question: How do we make decisions? We like to think of ourselves as of highly rational beings who make decisions deliberately, logically, and methodically. As good managers, we will likely first define the problem and formulate goals, then establish and weight decision criteria, then develop and evaluate options against these criteria, and finally, using decision frameworks, select the best alternative.

Is that correct? No, I didn't think so. Very often, for several important decisions even, such as hiring or performance assessment, we make snap intuitive judgments. Judgments that very often lack a strong rationale that we then later rationalize. Nobel prize winning psychologist, Dan Kahneman, in his bestseller, *Thinking Fast, Thinking Slow*, calls this intuitive approach to decision-making System 1 thinking or thinking fast. Indeed, this intuitive approach to decision making is fast, automatic, emanates from the subconscious or relies on mental shortcuts, and for all these reasons, is effortless. Kahneman contrasts System 1 thinking with System 2 thinking, which is a reason-based approach to decision-making that is slow, controlled, rule-governed and hence, effortful. We often adopt a fast or intuitive approach to decision making because we are short on time and costs of exploration of solutions. To that extent, fast thinking may be efficient and timely even. However, we need to recognize that this intuition-based approach to decision-making is also often fraught with systematic and predictable judgment errors.

Amos Tversky and Dan Kahneman, in documenting and demonstrating these errors, essentially provided the foundation for a new field of study known as behavioral economics. Behavioral economics is a combination of economics and psychology and it questions this traditional economic assumption that people act rationally. That people make rational choices in order to optimize their output. What behavioral economics does is show actually people don't act rationally very often, resulting in predictable types of errors in their decision-making. Daniel Kahneman won the Nobel Prize for this research in 2002 and Tversky would certainly have shared the prize although unfortunately he had passed away in 1996 and wasn't eligible. If you'd like to find out more about Tversky and Kahneman's research and behavioral economics in general I highly recommend Daniel Kahneman's book *Thinking Fast and Slow*. Much of this course relies on their rich body of research and derivative works thereafter.

Our failure to recognize that we often engage in an intuitive approach to decision making and that such an approach is riddled with judgment errors and biases leads us to the insidiously robust belief that our intuitive experience is more insightful and less biased than others. This is a very important concept that social psychologist, Lee Ross talks about – the illusion of objectivity. Philosophers call this illusion of objectivity naive realism. What is this illusion? Why is it naïve? Because we think we've got the real world in a clear direct way. We truly believe that we understand the world by direct perception, that as we experience the world, we are registering what is out there. And that belief is naive, because it's not true. The fact is all our beliefs and understanding and opinions and perceptions of even the simplest thing in the world is achieved via cognitive structures and processes operating on the object of perception that we often have no awareness of. And these cognitive processes that shape our understanding of the world have underlying biases that make us inclined to view the world in particular ways.

Most of the biases help us to understand the world correctly most of the time. For example, look at this pair of tables. Are they identical? Of course not. One is longer and narrower than the other, right? Well, actually the tabletops are identical. Don't believe me? Watch this The two tables are exactly the same size and shape. So, now that you've seen the video, do they look identical? As it turns out, no, they don't. This illusion was first presented by the US psychologist Roger Newland Shepard (born 1929) in his book *Mind Sights*. And in his book, Shephard notes that an intellectual understanding that the two table tops are identical in size and shape does not help you see them that way. He says, "any knowledge or understanding of the illusion we may gain at the intellectual level remains virtually powerless to diminish the magnitude of the illusion."

So why are your eyes deceiving you? Why does this illusion fool you? They're deceiving you in a good cause. Your perceptual apparatus, lens, retina, optic nerves, and the part of the brain where the image is projected and processed are designed to help you see objects in a 3-D world. For instance, in the case of the tables, our perceptual system tries to achieve what's called size constancy. The higher order visual processes, the ones in the brain, back behind the retina, operate so as to increase the apparent size of things that are far away. If they didn't, we would see things far away as being much smaller than they are. So, our perceptual machine re-decides for us that we're looking at the end of the table on the right, and the side of the table on the left. This has the effect of lengthening the table on the right and broadening the table on the left. So, when you see a table in real life, the adjustment the brain makes to the appearance of the image on the retina is a distortion of what's actually there, but that bias helps you to see the world as it is. And we accept the illusion unquestioningly even when, intellectually, we know that it is otherwise.

Just like images on the retina cause us to erroneously see the tabletops as identical, cognitive structures and processes in our brain, our unconscious, lead us to perceptions of situations, people and events that may be erroneous. And just like we accept the illusion with the tables even when intellectually we know that they are the same, it is very difficult for us to convince ourselves that our intuitive experience is incorrect, even when confronted with strong evidence to the contrary. Think back to your political convictions. You likely believe that your favorable opinion of a particular political party or individual is based on objective reasoning while that of someone who dislikes that very party or individual is subjective and biased. If you are like most people, you probably think the media are generally overly critical of the party and candidates you favor, and insufficiently critical of the party and candidates you oppose. You find media coverage of political and social issues frustrating because those on your side seem to be "telling it like it is" while the other side's contributions consist of little more than a series of lies, distortions and half-truths. The illusion of objectivity. This is also why we think there are two kinds of people on highways – maniacs that drive faster than us and idiots that drive slower.

To probe this phenomenon in more detail, some social psychologists, Lee and his colleagues, Robert Vallone and Mark Lepper, conducted a study in the immediate aftermath of a particularly horrible event in the long, tragic history of the Israeli Palestinian conflict. This was the 1982 massacre of civilians in refugee camps on the outskirts of Beirut by Christian Falangist gunmen. Israelis had some political ties to the Falangists, who were in conflict with various Muslim groups. The question was how fair the media coverage of the massacre seemed to different constituents, in particular, Stanford University students, some of whom were pro-Israeli and some of whom were pro-Palestinian. Both partisan groups were shown the same samples of coverage by the major news networks. And they were then asked about what they had seen. Both saw the coverage as decidedly biased in favor of the other side. In fact, not a single one of the 68 pro-Israeli participants thought the coverage was as favorable to Israel as any of the 27 pro-Palestinian participants did. Moreover, and this is what's really important, both groups came away convinced that nonpartisan viewers would become more favorable to the other side as a result of what they saw. What this means is that since people tend to think of their own understanding of events not as a take but as a direct accurate readout of what's going on, anyone who tries to offer an even handed account of events will tend to be seen as biased and hostile to their interests.

The right wingers in India reintroduce intellectualism as distrust of the media, expertise and facts. For them, thinking is for conquest. Oh, the liberals think they're better? We own them. The left wingers, on their part, produce arrogant insularity. Either way, individuals of each group are mere representatives who endlessly repeat familiar mantras to reassure group members they are all on the same team and affirm the self-esteem of the group.

In general, our illusion of objectivity leads us to think of people who see the world as radically different from the way we do as stupid, crazy, or hopelessly biased by their wrong views of the world. If my belief was wrong, I wouldn't have it, so if your belief is different from mine, it's wrong.

The illusion of objectivity reflects a deep failure on our part to recognize and understand the cognitive structures and processes that we use to understand reality and the highly error-prone nature of these structures and processes. In the upcoming modules, I will talk to you about three cognitive structures and processes that we use to understand reality, and how they shape and alter our perceptions. We will talk about frames, schemas and heuristics. That's coming up next.