The Art of Thinking Clearly by Rolf Dobelli (Excerpts)

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This is a book regarding the thinking errors made by humans. It has 99 topics in which the author tells different kinds of mental slips and shows more rational thinking and behavior.

(page 17) Or, as social scientists David Lykken and Auke Tellegen starkly suggest, “trying to be happier is as futile as trying to be taller.” Thus, the swimmer’s body illusion is also a self-illusion.

(page 58) What does “likable” even mean? According to research, we see people as pleasant, if (a) they are outwardly attractive, (b) they are similar to us in terms of origin, personality, or interests, and (c) they like us. Consequently, advertising is full of attractive people. Ugly people seem unfriendly and don’t even make it into the background (see A). In addition to engaging super-attractive types, advertising also employs “people like you and me” (see B)—those who are similar in appearance, accent, or background. In short, the more similar, the better. Mirroring is a standard technique in sales to get exactly this effect.

(page 58) “There’s nothing more effective in selling anything than getting the customer to believe, really believe, that you like him and care about him.”

(page 59) Have you ever seen a World Wildlife Fund brochure filled with spiders, worms, algae, or bacteria? They are perhaps just as endangered as pandas, gorillas, koalas, and seals—and even more important for the ecosystem. But we feel nothing for them. The more human a creature acts, the more similar it is to us, the more we like it.

(page 59) Never will you see a stone-faced, wounded guerrilla fighter staring at you from billboards—even though he also needs your support.

(page 59) Though there are excellent plastic containers in the supermarket for a quarter of the price, Tupperware generates annual revenues of $2 billion. Why? The friends who hold the Tupperware parties meet the second and third congeniality standard perfectly.

(page 61) In real estate, the endowment effect is palpable. Sellers become emotionally attached to their houses and thus systematically overestimate their value. They balk at the market price, expecting buyers to pay more—which is completely absurd since this excess is little more than sentimental value.

(page 61) We consider things to be more valuable the moment we own them. In other words, if we are selling something, we charge more for it than what we ourselves would be willing to spend.

(page 62) In conclusion: Don't cling to things. Consider your property something that the "universe" (whatever you believe this to be) has bestowed to you temporarily. Keep in mind that it can recoup this (or more) in the blink of an eye.

(page 66) Members of a close-knit group cultivate team spirit by (unconsciously) building illusions. One of these fantasies is a belief in invincibility: "If both our leader [in this case, Kennedy] and the group are confident that the plan will work, then luck will be on our side." Next comes the illusion of unanimity: If the others are of the same opinion, any dissenting view must be wrong. No one wants to be the naysayer that destroys team unity. Finally, each person is happy to be part of the group. Expressing reservations could mean exclusion from it. In our evolutionary past, such banishment guaranteed death; hence our strong urge to remain in the group's favor.

(page 66) if you lead a group, appoint someone as devil's advocate. She will not be the most popular member of the team, but she might be the most important.

(page 67) This illustrates that we respond to the expected magnitude of an event (the size of the jackpot or the amount of electricity), but not to its likelihood. In other words: We lack an intuitive grasp of probability.

(page 69) contagious virus escaping from a biotech laboratory. We have no intuitive grasp of risk and thus distinguish poorly among different threats. The more serious the threat and the more emotional the topic (such as radioactivity), the less reassuring a reduction in risk seems to us. Two researchers at the University of Chicago have shown that people are equally afraid of a 99 percent chance as they are of a 1 percent chance of contamination by toxic chemicals. An irrational response, but a common one.

(page 70) Rara sunt cara, said the Romans. Rare is valuable.

(page 70) The first group received an entire box of cookies, and the second group just two. In the end, the subjects with just two cookies rated the quality much higher than the first group did. The experiment was repeated several times and always showed the same result.

(page 70) The post office doesn't accept the old stamps, the banks don't take old coins, and the vintage cars are no longer allowed on the road. These are all side issues; the attraction is that they are in short supply.

(page 71) Mark is a thin man from Germany with glasses who likes to listen to Mozart. Which is more likely? That (a) Mark is a truck driver or (b) he is a professor of literature in Frankfurt. Most will bet on B, which is wrong. Germany has ten thousand times more truck drivers than Frankfurt has literature professors. Therefore, it is more likely that Mark is a truck driver. So what just happened? The detailed description enticed us to overlook the statistical reality.

(page 71) When we are deprived of an option, we suddenly deem it more attractive. It is a kind of act of defiance. It is also known as the "Romeo and Juliet effect": Because the love between the tragic Shakespearean teenagers is forbidden, it knows no bounds.

(page 74) people believe in the "balancing force of the universe." This is the gambler's fallacy. However, with independent events, there is no harmonizing force at work: A ball cannot remember how many times it has landed on black. Despite this, one of my friends enters the weekly Mega Millions numbers into a spreadsheet, and then plays those that have appeared the least. All this work is for naught. He is another victim of the gambler's fallacy.

(page 75) Purely independent events really only exist at the casino, in the lottery, and in theory. In real life, in the financial markets and in business, with the weather and your health, events are often interrelated. What has already happened has an influence on what will happen. As comforting an idea as it is, there is simply no balancing force out there for independent events. "What goes around, comes around" simply does not exist.

(page 76) Unfortunately, we also use anchors when we don't need to. For example, one day in a lecture, a professor placed a bottle of wine on the table. He asked his students to write down the last two digits of their Social Security numbers and then decide if they would be willing to spend that amount on the wine. In the auction that followed, students with higher numbers bid nearly twice as much as students with lower numbers. The Social Security digits worked as an anchor—albeit in a hidden and misleading way.

(page 77) My boss was a pro when it came to using anchors. In his first conversation with any client, he made sure to fix an opening price, which, by the way, almost criminally exceeded our internal costs: "I'll tell you this now so you're not surprised when you receive the quote, Mr. So-and-So: We've just completed a similar project for one of your competitors and it was in the range of five million dollars." The anchor was dropped: The price negotiations started at exactly five million.

(page 78) Inductive thinking doesn't have to be a road to ruin, though. In fact, you can make a fortune with it by sending a few e-mails. Here's how: Put together two stock market forecasts—one predicting that prices will rise next month and one warning of a drop. Send the first mail to fifty thousand people and the second mail to a different set of fifty thousand. Suppose that after one month, the indices have fallen. Now you can send another e-mail, but this time only to the fifty thousand people who received a correct prediction. These fifty thousand you divide into two groups: The first half learns that prices will increase next month, and the second half discovers they will fall.

(page 79) Induction seduces us and leads us to conclusions such as: “Mankind has always survived, so we will be able to tackle any future challenges, too.” Sounds good in theory, but what we fail to realize is that such a statement can only come from a species that has lasted until now. To assume that our existence to date is an indication of our future survival is a serious flaw in reasoning. Probably the most serious of all.

(page 80) In fact, it has been proven that, emotionally, a loss “weighs” about twice that of a similar gain. Social scientists call this loss aversion.

(page 81) if you want to convince someone about something, don’t focus on the advantages; instead highlight how it helps them dodge the disadvantages.

(page 81) insulation. The most effective way of encouraging customers to purchase your product is to tell them how much money they are losing without insulation—as opposed to how much money they would save with it, even though the amount is exactly the same.

(page 87) So why do we fall victim to the winner’s curse? First, the real value of many things is uncertain. Additionally, the more interested parties, the greater the likelihood of an overly enthusiastic bid. Second, we want to outdo competitors.

(page 88) In conclusion: Accept this piece of wisdom about auctions from Warren Buffett: “Don’t go.” If you happen to work in an industry where they are inevitable, set a maximum price and deduct 20 percent from this to offset the winner’s curse. Write this number on a piece of paper and don’t go a cent over it.

(page 90) We shouldn’t judge those guilty of the fundamental attribution error too harshly. Our preoccupation with other people stems from our evolutionary past: Belonging to a group was necessary for survival. Reproduction, defense, and hunting large animals—all these were impossible tasks for individuals to achieve alone. Banishment meant certain death, and those who opted for the solitary life—of which there were surely a few—fared no better and disappeared from the gene pool.