

Do we make good decisions? (Bounded rationality)

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Kinds of thinking

- Automatic System:
 - No conscious thought. $(1 + 2) = ?$
 - Something is happening, your brain reacts.
 - Automatic system determines whether the person is confident, well groomed, done within milliseconds.
- Reflective / Deliberative system.
 - More rational.
 - More complex problems, spend more time and effort. $6/2(1 + 2) = ?$
 - Activities that are practiced frequently they can become automatic. Less brain power.
- **The brain has a lot to manage** The brain must determine where to focus. Bandwidth is finite, where can you cut corners? What shortcuts can one take? Allocating mental bandwidth. Automatic system process less important information.
- How the brain takes shortcuts?
 - Shortcuts can determine how one makes decisions. This can lead to irrational decisions.
 - One is not aware of the shortcuts.
 - It was once believed that humans were rational. It was proven to be wrong.
- Questions
 1. 5, 2

Heuristics and Biases

1. **Anchoring** There are primed questions that influence how one answers questions.
2. Open ended questions. Opinions change on how questions are framed. Keywords can change a person's opinion.
3. Vague questions receive vague answers.
4. **Availability** (What is sensational) Homicide are magnified by the media and are overestimated. Information that is the most obvious influences views.

5. What percent of people think they're in the middle class. 70% .
6. **Optimism** and overconfidence. Humans are optimist, they believe the odds are in their favor.
7. Status quo bias : Amazon prime gives great deals, such as unsubscribing when the deal is over.
8. **Framing Effects** How an issue is presented may influence views.
9. **More sensitive to losses than gains** . Willing to take risks to not lose what I have. I prefer program D. X

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