

# Here Are The 25 Psychological Biases That Cause Us To Make Bad Decisions

*By Michael Simmons With Ian Chew*



*It is remarkable how much long-term advantage people like us have gotten by trying to be consistently not stupid, instead of trying to be very intelligent. There must be some wisdom in the folk saying, 'It's the strong swimmers who drown.'*

*- Charlie Munger*



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## Overview

We humans have evolved over tens of thousands of years in an environment that is very different than the one we live in now. During this evolution process, we developed unconscious biases, which helped us survive in those tough environments, but can hinder us in today's modern society.

By recognizing those biases and applying them to our decision-making, we can make infinitely better decisions. Over his 70-year career, Charlie Munger (Warren Buffett's long-time business partner) has done exactly this. The end result are the biases below, which we excerpted and condensed from several of Munger's speeches.

Understanding these biases have helped Charlie and Warren in several ways:

- **Avoiding Smart People Mistakes.** There are certain types of mistakes that people who are smart and ambitious are particularly prone to. In his book, *Poor Charlie's Almanack*, Charlie talks about the colossal failure of the hedge fund, Long-Term Capital Management in the late 1990s. Led by some of the smartest people in the world including Nobel Laureates, it ultimately went bankrupt and destroyed the net worths and reputation of its leaders.

If they had used Charlie's model, they would have seen the colossal risk they were taking and the fact that they were already extremely successful and had built up reputations, so the risk was particularly not worth it.

- **Making Critical Decisions.** They have made the biases actionable by turning them into checklists and using them when making investment decisions. These biases uniquely help them understand behaviors and predict the future better than their competitors.
- **Protecting Themselves From Manipulation.** The biases below occur at a subconscious level. Therefore, it's hard to identify when people are using these to influence your behavior. Knowing these biases and having a checklist to protect against them helps.

## Table Of Tendencies

Our aim is to help you realize what the biases are, how they are relevant to your life, and to give you resources to go deeper. (Of course, the ultimate resource is Charlie's 500-page book, [Poor Charlie's Almanack](#).)

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# 1. Reward & Punishment Superresponse Tendency

In Munger's experience, people tend to be most motivated by incentives; especially by the right rewards. By understanding incentives, you can more effectively:

- **Influence Others.** Want to get an individual or a team to do something? Munger says you need to answer this question correctly: "What's in it for them?"
- **Protect Yourself From Bad Advice.** Munger cautions us to be careful of professional advice that might be shaped by the advisor's personal interest.
- **Influence Yourself.** By understanding what really drives you, you can drive yourself.

## Quotes



If you would persuade, appeal to interest and not to reason." - Ben Franklin



Perhaps the most important rule for management is 'get the incentives right.'"  
- Munger

## Antidotes

- **Be wary of people's actions and behaviors.** analyze the context to see if there are any ulterior motives.
- **Obey Munger's 'Granny Rule'.** Granny's Rule is "children eat their carrots before they get dessert." Get your hardest work done before rewarding yourself.

## Example

Students who are rewarded for their hard work at school - but not their test scores- [have higher academic achievements](#).

## Resource

[\*Drive: The Surprising Truth About What Motivates Us\*](#)

## 2. Liking/Loving Tendency

Munger argues that we are wired to naturally favor people we like and love to the point of irrationality. In social psychology, this tendency is known as in-group bias.

In order to keep liking and loving them, we do the following behaviors that we may not have done otherwise:

- Distort facts
- Ignore faults
- Comply with wishes
- Favor people, products, and actions merely associated with the object of affection.

We even go to great lengths in order to keep being liked and loved by others; even people we don't know.

### Quotes

“ ...[Man] will generally starve, lifelong, for the affection and approval of many people not related to him.” - Munger

### Examples

- If you identify as Democrat, you would [find Barrack Obama more attractive than Sarah Palin](#) - and vice versa.
- In one research study, babies were shown to [favor researchers of the same race](#).

### Antidotes

- **Be aware** of how liking or loving others distorts your logic.
- When building relationships with others, do whatever you can to **start the relationship off as part of the ingroup**.

### Resource

[14 Habits Of Exceptionally Likable People](#)

### **3. Disliking/Hating Tendency**

The opposite of the liking/loving tendency is also true. We tend to disfavor people we already dislike and hate to level of irrationality. This results in:

- Ignoring virtues of people we dislike.
- Disliking people, products, and actions merely associated with the object of our dislike.
- Distorting facts in order to facilitate the hatred.

#### **Quotes**

“ [A] major difference between rich and poor people is that the rich people can spend their lives suing their relatives.” - Warren Buffet as quoted by Munger

“ Politics is the art of marshalling hatreds.” - Anonymous

#### **Examples**

- “When the World Trade Center was destroyed, many Pakistanis immediately concluded that the Hindus did it, while many Muslims concluded that the Jews did it.” - Munger
- Similarly, post 911 years saw investment fund managers with foreign-sounding names experiencing reduced fund flow from investors, in comparison to counterparts with commonplace American names.

In other words, before having evidence, they used the tragedy to further their pre-existing hatred.

#### **Resource**

[Elizabeth Lesser - Take the Other to Lunch](#) (TED Talk)

## 4. Doubt/Avoidance Tendency

The human brain has evolved to resolve open issues (i.e., [cognitive dissonance](#)) by making decisions. Part of our speedy decision making process comes at a price: we eliminate any potential doubts, which might cause us to make mistakes.

What normally triggers the tendency is some combination of:

1. Puzzlement
2. Stress

### Quotes

“ After all, the one thing that is surely counterproductive for a prey animal that is threatened by a predator is to take a long time in deciding what to do.” - Munger

“ So pronounced is the tendency in man to quickly remove doubt by reaching some decision that behavior to counter the tendency is required from judges and jurors.” - Munger

### Antidotes

- Force yourself to **take a break** and/or delay before making a decision.

### Example

Toyota engineers practice a production system of delaying decisions, dubbed [the second Tokyo paradox](#), to produce better and cheaper cars.

### Resources

- [Improve Your Decision-Making Skills By Doing This One Simple Thing](#)
- [Mistakes Were Made \(But Not by Me\): Why We Justify Foolish Beliefs, Bad Decisions, and Hurtful Acts](#)

## 5. Inconsistency-Avoidance Tendency

We rarely do things that are inconsistent with our identity, beliefs, and habits. To save energy, we are often reluctant to change our habits, especially bad ones. Such bad habits include biased thinking patterns. These patterns lead to cognitive errors, limiting our choice of actions in life.

### Quotes

“ When Marley’s [*Christmas Carol*] miserable ghost says, “I wear the chains I forged in life,” he is talking about chains of habit that were too light to be felt before they became too strong to be broken.” - Munger

“ The rare life that is wisely lived has in it many good habits maintained and many bad habits avoided or cured.” - Munger

“ An ounce of prevention is worth a pound of cure.” - *Poor Richard's Almanack*

“ One corollary of Inconsistency-Avoidance Tendency is that a person making big sacrifices in the course of assuming a new identity will intensify his devotion to the new identity [i.e., hazing at fraternities].” - Munger

### Antidotes

- Realize that **every action you take leads to good habits or bad habits**. So, endeavor to constantly be creating new, positive habits.
- **Be careful about the beliefs you take on.** First, find sufficient evidence to disprove your point first before believing in it. Charles Darwin “trained himself, early, to intensively consider any evidence tending to disconfirm any hypothesis of his, more so if he thought his hypothesis was a particularly good one.”
- **Find ways to challenge your preconceived beliefs.** Elon Musk [proactively seeks out](#) ideas that challenge his existing beliefs. “At his peak, Einstein was a great destroyer of his own ideas.”

## Example

Stanford professor, [BJ Fogg](#), is one of the world's top expert on habits. He shares that the simple act of flossing one tooth can [lead to much better habits in life](#). Not only the small habit minimizes the resistance towards new habits - caused by our inconsistency-avoidance tendency - it breaks the unproductive cognitive pattern we might have in our lifestyle and helps us build bigger, better habits.

## Resources

- [Unleash Your Potential: How To Challenge Your Assumptions And Expand Your Thinking](#)
- [Wednesday Workout: Testing Your Assumptions](#)
- [Tiny Habits Methodology](#)

## 6. Curiosity Tendency

Munger argues that curiosity not only counters the negative effects of our psychological tendencies, it also lets us enjoy the process of learning and acquiring knowledge.

### Quotes

“ Man’s curiosity, in turn, is much stronger than that of his simian relatives.” - Munger

“ Curiosity, enhanced by the best of modern education (which is by definition a minority part in many places), much helps man to prevent or reduce bad consequences arising from other psychological tendencies. The curious are also provided with much fun and wisdom long after formal education has ended.” - Munger

## Example

Late MIT professor, Amar Bose, used “[insatiable curiosity](#)” to dive into subjects like nuclear physics, as well as create his audio equipment company from scratch.

## Resources

- [How to Think Like Leonardo da Vinci: Seven Steps to Genius Every Day](#)
- [Curious: The Desire to Know and Why Your Future Depends On It](#)

## 7. Kantian Fairness Tendency

Citing Kant and his categorical imperative, Munger argues that “**reciprocal courtesy**” is a societal norm, at least in United States. When we are not treated fairly, often we become very angry and/or frustrated.

In a famous Prisoner’s Dilemma experiment, when one person feels betrayed by another, that person will not act out of his/her own immediate self-interest in order to punish the other person.

### Quotes

“ [There] is, in modern human culture, a lot of courteous lining up by strangers so that all are served on a “first- come-first-served” basis.” - Munger

### Example

As early as 15 months, **babies can recognize the concept of fairness** [when it comes to sharing food](#). In one of the tasks during the research study, babies who previously reacted to unequal food distribution shared their preferred toys with a stranger.

### Resource

- [\*SuperCooperators: Altruism, Evolution, and Why We Need Each Other to Succeed\*](#)

## 8. Envy/Jealousy Tendency

Munger points out our evolutionary desire to own others’ possessions leads to worse situations like hatred, fights and so on. Abraham Tesser’s [academic research](#) on the Self-Evaluation Model counterintuitively shows that our self-esteem suffers and therefore, feel the most jealous of other people when they’re:

- Close to us (ie - sibling, friend)
- Outcompeting us in areas that are important to us

### Quotes

“ It is not greed that drives the world, but envy.” - Warren Buffet as quoted by Munger

### Antidotes

- **Disarm** other people's jealousy of you **with vulnerability**.
- **Practice mindfulness** when you feel jealous or envious - accept and appreciate your emotions. Your emotions often are telling you something about yourself, and being aware of what messages they bring can bring you new personal insights.

## Example

In the Wesco Annual Meeting (2000), Munger [made the following remark](#) on the importance of being satisfied with one's own life: "Here's one truth that perhaps your typical investment counselor would disagree with: if you're comfortably rich and someone else is getting richer faster than you by, for example, investing in risky stocks, *so what*?! Someone will *always* be getting richer faster than you. This is not a tragedy."

## Resources

- [\*To Create a Real Connection, Show Vulnerability\*](#)
- [\*Be Happier with Your Life: 6 Ways to Let Jealousy Guide You\*](#)

## 9. Reciprocation Tendency

We are wired to reciprocate. If people give to us, we feel we owe the other person. Similar to the fairness tendency, if someone hurts us, we feel the need to hurt them back.

Companies can use this approach to:

- Start a relationship by giving something, even if it's small.
- Negotiate by asking for something big and unrealistic at first, and then when the person says no, ask for something that is smaller that is the ultimate thing you wanted anyway. In an experiment performed by Robert Cialdini, this approach was incredibly effective.
- Use the 'foot in the door' technique (a.k.a., [Franklin Effect](#)) by asking for something small that everyone will say yes to and then increase the sizes of the asks.

## Quotes

 The automatic tendency of humans to reciprocate both favors and disfavors has long been noticed as it is in apes, dogs, and many less cognitively gifted animals. The tendency facilitates group cooperation for the benefit of members." - Munger

## Antidotes

- Start and develop relationships by proactively giving. Most people will reciprocate.
- “Wise employers, therefore, try to oppose reciprocate-favor tendencies of employees engaged in purchasing. The simplest antidote works best: Don’t let them accept any favors from vendors.”
- “The standard antidote to one’s overactive hostility is to train oneself to defer reaction. As my smart friend Tom Murphy so frequently says, ”You can always tell the man off tomorrow, if it is such a good idea.”

## Example

John Corcoran, an attorney who worked as a White House speechwriter at 23 years old, shared how Bill Clinton would not only [write handwritten notes](#) to follow up with contacts, he would freely give his time to strangers at events to fulfill their various requests like autographing. By giving first, people will tend to reciprocate when you ask for favors.

## Resources

- [\*Influence: The Psychology of Persuasion\*](#)
- [\*Give and Take: Why Helping Others Drives Our Success\*](#)
- [\*If You Want To Go Fast, Go Alone. If You Want To Go Far, Go Together\*](#)

## 10. Influence-From-Mere-Association Tendency

We perceive people or things differently depending on who/what they are associated with. Advertisers have long understood this. They link their products to things that will trigger the responses they want you to have. This is also known as [classical conditioning](#).

Sometimes when people receive a favor when they’re in pain (poor, sick, etc.), they associate the person that gave them the favor with the pain. As a result, the favor just reinforces the pain.

If we link a past event where we got lucky to skill rather than luck, then we will make poor choices about the future.”

## Quotes

“ Advertisers know about the power of mere association. You won’t see Coke advertised alongside some account of the death of a child. Instead, Coke ads picture life as happier than reality.” - Munger

“ “ “Some of the most important miscalculations come from what is accidentally associated with one’s past success, or one’s liking and loving, or one’s disliking and hating which includes a natural hatred for bad news.” - Munger

“ “ Hating and disliking also cause miscalculation triggered by mere association. In business, I commonly see people underappraise both the competency and morals of competitors they dislike. This is a dangerous practice, usually disguised because it occurs on a subconscious level.” - Munger

## Antidotes

- Carefully examine each past success, looking for accidental, non-causative factors associated with such success that will tend to mislead as one appraises odds implicit in a proposed new undertaking.
- Look for dangerous aspects of the new undertaking that were not present when past success occurred.
- Don’t shoot the messenger - make a habit of welcoming bad news to counter this tendency! “Always tell us the bad news promptly. It is only the good news that can wait.” - common injunction at Berkshire

## Example

By continuously [associating top athletes with its products](#) over decades, Nike has built a global brand that is trusted by consumers. It has linked this feeling with its ‘swoosh’ logo.

## Resource

[\*Don't Shoot the Dog!: The New Art of Teaching and Training\*](#)

## 11. Pain-Avoiding Psychological Denial

We tend to distort facts for our own psychological comfort. This psychological discomfort is known as [cognitive dissonance](#).

If we make a habit of continually avoiding information that is painful, we’ll not only develop a distorted view of reality, we’ll train other people not to tell us the truth.

## Quotes

“ “ It is not necessary to hope in order to persevere.” - William the Silent

## **Antidote**

- Don't resolve cognitive dissonance by distorting reality in order to make you feel better. Find a way to always keep yourself open to the facts of any situation so you can make the most sound choices.

## **Example**

In the classic Aesop's fable, the fox claimed that the grapes were sour after failing to get them in order to cope with the fact that he couldn't reach them. A real life comparison would be the cult leader who fails to predict the end of the world time and again and each time comes up with a different excuse.

## **Resource**

Mistakes Were Made (But Not by Me): Why We Justify Foolish Beliefs, Bad Decisions, and Hurtful Acts

## **12. Excessive Self-Regard Tendency**

We are overconfident - thinking we're better than the average person. Several studies of self-perception, show that for any given trait, more than 50% of people think they're above average - from unsophisticated computer users who think they are cyber crime experts, to Harvard Business School students who think that they are better looking than everyone else. This is known as the Endowment Effect. Being overconfident can lead to many shortcomings; for example, overconfident students do significantly poorer on tests.

The result of this is overappraising things we own, decisions we make, and people like us underappraising things that challenge our self-regard.

## **Quotes**

“ Man's excess of self-regard typically makes him strongly prefer people like himself.” - Munger. This is also known as homophily.

“ Even man's minor possessions tend to be over-appraised. Once owned, they suddenly become worth more to him than he would pay if they were offered for sale to him and he didn't already own them.” - Munger.

“ [A] man should try to face the two simple facts:

- Fixable but unfixed bad performance is bad character and tends to create more of itself causing more damage to the excuse giver with each tolerated instance.
- In demanding places, like athletic teams and General Electric, you are almost sure to be discarded in due course if you keep giving excuses instead of behaving as you should.” - Munger

## Antidotes

- “Excesses of self-regard often cause bad hiring decisions because employers grossly over appraise the worth of their own conclusions that rely on impressions in face-to-face contact. The correct antidote to this sort of folly is to under weigh face-to-face impressions and over weigh the applicant’s past record.” - Munger
- “The main institutional antidotes to this part of the “Tolstoy effect” are:
  - Offer meritocratic, demanding culture, plus personal handling methods that build up morale, and
  - Severance of the worst offenders.” - Munger
- “The best antidote to folly from an excess of self-regard is to force yourself to be more objective when you are thinking about yourself, your family and friends, your property, and the value of your past and future activity.”
- “Of all forms of useful pride, perhaps the most desirable is a justified pride in being trustworthy. Moreover, the trustworthy man, even after allowing for the inconveniences of his chosen course, ordinarily has a life that averages out better than he would have if he provided less reliability.” - Munger

## Resources

- [Managing Overconfidence](#)
- [The Winner Effect: The Neuroscience of Success and Failure](#)

## 13. Over-Optimism Tendency

We tend to be foolishly optimistic without calculating the risks. In anticipation of good future outcomes - and how much control we have over them - we [overestimate how much control we have over them](#). Neuroscientist Tali Sharot's research suggests that the optimism bias has evolved to become an integral part of the human psyche, [regardless of one's race, gender and nationality](#).

Two sobering examples are we are over-optimistic regarding how fast we can pay off our [student debt](#), or how well we can use [our driving skills](#).

## Quotes

“ What a man wishes, that also will he believe.” - Demosthenes, the most famous Greek orator

## Antidotes

- “One standard antidote to foolish optimism is trained, habitual use of the simple probability math of Fermat and Pascal, taught in my youth to high school sophomores.” - Munger

## Example

- The late Steve Jobs [refused surgery at first](#) when he was first diagnosed with cancer, thinking that he could beat the ailment by using alternative medicinal treatments, but none worked to his avail.

## Resource

- [The Optimism Bias: Why we're wired to look on the bright side](#)
- [The Munger Network Of Mental Models \(page 5\)](#)

## 14. Deprival-Superreaction Tendency

We tend to intensely react to any real loss or potential loss irrationally. This explains in-fighting that occurs within bureaucracies.

## Quotes

“ A man ordinarily reacts with irrational intensity to even a small loss, or threatened loss, of property, love, friendship, dominated territory, opportunity, status, or any other valued thing.” - Munger.

Time and again, studies have shown that loss and the threat of it is a powerful motivation for human beings, from [high-stake international politics](#) to [daily consumption behavior](#). Examples of how we fear potential losses abound in real life: [losing a coin toss](#), [missing a shopping deal](#), and so on.

“ Deprival-Superreaction Tendency is also a huge contributor to ruin from compulsion to gamble. First, it causes the gambler to have a passion to get even once he has suffered loss, and the passion grows with the loss. Second, the most addictive forms

of gambling provide a lot of near misses and each one triggers Deprival-Superreaction Tendency.” - Munger

## Antidotes

- “One antidote to intense, deliberate maintenance of group think is an extreme culture of courtesy, kept in place despite ideological differences, like the behavior of the justices now serving on the U.S. Supreme Court.” - Munger
- “Another antidote is to deliberately bring in able and articulate disbelievers of incumbent group think. Successful corrective measures to evil examples of groupthink maintenance have included actions like that of Derek Bok when, as president of Harvard, he started disapproving tenure appointments proposed by ideologues at Harvard Law School.” - Munger
- “One of the best antidotes to this folly is good poker skill learned young. The teaching value of poker demonstrates that not all effective teaching occurs on a standard academic path.” - Munger

## Resources

- [Letters from a Stoic](#)
- [Overcoming the Fear of Loss: 5 Steps to Get Unstuck](#)

## 15. Social-Proof Tendency

We are wired to make a huge number of decisions in our life based purely on other people's actions. The effect is so strong that even if we are surrounded by a small group of people who insist that blue is green, then [we'll question our own reality](#).

Entrepreneurs who create public social proof of their product (i.e. positive customer reviews) [get more sales](#).

## Quotes

“ When will the Social-Proof Tendency be most easily triggered ?Here the answer is clear from many experiments: Triggering most readily occurs in the presence of puzzlement or stress, and particularly when both exist.” - Munger

“ In social proof, it not only action by others that misleads but also their inaction. In the presence of doubt, inaction by others becomes social proof that inaction is the right course.” - Munger

In social proof, it is not only action by others that misleads but also their inaction. In the presence of doubt, inaction by others becomes social proof that inaction is the right course. Thus, the inaction of a great many bystanders led to the death of Kitty Genovese in a famous incident much discussed in introductory psychology courses.”

- Munger

“Monkey-see, monkey-do” - Anonymous

## Antidotes

- “Learn how to ignore the examples from others when they are wrong, because few skills are more worth having.” - Munger
- “Because both bad and good behavior are made contagious by Social-Proof Tendency, it is highly important that human societies:
  - Stop any bad behavior before it spreads.
  - Foster and display all good behavior.

## Example

Restaurant owners should especially pay attention to the impact of customer reviews on their products, because a Harvard Business School study pointed out that “[a one-star increase in Yelp rating leads to a 5-9 percent increase in revenue](#)”, largely because [customers trust other customers the most in general](#).

## Resource

- [\*Influence: The Psychology of Persuasion\*](#)
- [\*Contagious: Why Things Catch On\*](#)

## 16. Contrast-Misreaction Tendency

Our conscious mind is limited. Therefore, we can't register every detail that we see, hear, feel, taste, and smell in every moment. Our brain unconsciously makes choices about where our attention flows. One of the ways that it makes this decision is by sudden change. If we hear a loud sound all of a sudden, our attention immediately goes there.

This same principle applies to the world of value. We don't measure the value of things in a vacuum. We often notice value by contrasting it with something else. Retailers take advantage of this by attaching an artificially high price to their product and then providing a significant discount.

## Quotes

- “ The stock market is filled with individuals who know the price of everything but the value of nothing.” - Phillip Fisher
- “ A small leak will sink a great ship. The utility of the aphorism is large precisely because the brain so often misses the functional equivalent of a small leak in a great ship.” - Ben Franklin
- “ Cognition, misled by tiny changes involving low contrast, will often miss a trend that is destiny.” - Munger

## Antidotes

- Train yourself to **notice small changes that other people miss**. This gives you the ability to stop bad chain reactions before they spread, and invest/nurture positive ones before they spread. Most famously, Charles Darwin trained himself to meticulously track very small variations of animal features over many years. These observations ultimately led Darwin to the Theory of Evolution.
- Train yourself to **make small changes to your habits**. Make a micro-resolution - a small, specific measurable goal that will keep you accountable on a regular basis, without triggering your Inconsistency-Avoidance Tendency.

## Examples

- By running five minutes a day, you can reduce chances of dying prematurely [by 30%](#).

## Resources

- [\*Mastermind: How to Think Like Sherlock Holmes\*](#)
- [\*How to Make a Microresolution\*](#)

## 17. Stress-Influence Tendency

Some stress helps us focus, but too much destroys our decision making capabilities. Therefore, we must learn how to manage stress in situations, so that we make the best decisions possible.

In ethically questionable experiments performed by Nobel Laureate, Ivan Pavlov, where he stress-induced nervous breakdowns in dogs and tried to reverse the effects, he found:

- “He could classify dogs so as to predict how easily a particular dog would breakdown.”
- “The dogs hardest to break down were also the hardest to return to their pre-breakdown state.”

- “Any dog could be broken down.”
- “He couldn’t reverse a breakdown except by reimposing stress.”

## Quotes



...The heavy-handed imposition of stress might be the only reversal method that would work to remedy one of the worst evils imaginable: a stolen mind.” - Munger

## Antidotes

- **Listen to your body.** When you feel persistently overwhelmed, take a step back.
- **Meditate.** [Multiple research studies](#) have proven that meditation is highly effective in regulating our emotions, especially our capacity to cope with stress, mainly by increasing our mindfulness towards negative emotions.
- **Rest, nap, sleep.** No, no skimping - your brain [needs 100% of its rest time](#).

## Resources

- [Mindfulness: An Eight-Week Plan for Finding Peace in a Frantic World](#)
- [8 Reasons Why You Should Definitely Take That Lunch Break](#)

## 18. Availability-Misweighing Tendency

We tend to overemphasize information that is the most available and vivid from our surroundings and our mind. In the academic world, this is known as the [Availability Bias](#). Unfortunately, The easiness doesn't mean that the information is the most useful one.

This can work to people's benefit in the world of persuasion and memory. By painting a vivid picture of something, we can more effectively influence others and keep ideas in our own memories.

When in group environments, simple explanations of complex phenomena can rapidly gain currency and spread even if they're wrong. This is known as the [availability cascade](#).

## Quotes



An idea or a feat is not worth more merely because it is easily available to you.” - Munger



When I’m not near the girl I love, I love the girl I’m near.” - Frank Sinatra

## Antidotes

- Train yourself to brainstorm all possibilities openly rather than jumping on your first conclusions. Develop your [strategic thinking](#) abilities to tackle complex problems.
- Use a checklist, or procedures, to curb this tendency.
- Always look for evidence that disproves your points, and consistently do so.
- Get skeptical people on board or assign a devil advocate role to someone you trust, so that your opinions are challenged by disconfirming evidence.
- When in meetings, let other people talk first so you don't bias how they respond.

## Resource

- [Making Dumb Groups Smarter](#)

# 19. Authority-Misinfluence Tendency

We trust and respect leaders too much, even when they make mistakes.

We also trust leaders in areas where they are not experts. This is known as the [Halo Effect](#).

## Quotes

“ [Man] is often destined to suffer greatly when the leader is wrong or when his leader's ideas don't get through properly in the bustle of life and are misunderstood.”  
- Munger

## Antidotes

- “[Be] careful whom you appoint to power because a dominant authority figure will often be hard to remove, aided as he will be by Authority-Misinfluence Tendency.” - Munger
- Use a checklist - and a critical mind - to counter or at least reduce the influence of authority.

## Resource

- [Influence: The Psychology of Persuasion](#)

## 20. Twaddle Tendency

People tend to talk a lot about things they're not an expert in. Be very careful of these people.

Instead, try to surround yourself with people who show restraint in sharing their opinions until they're more proven or thought through.

### Quotes

“ Man, as a social animal who has the gift of language, is born to prattle and to pour out twaddle that does much damage when serious work is being attempted. Some people produce copious amounts of twaddle and others very little.” - Munger

### Example

- David Ogilvy, one of the founding fathers in modern advertising, had this to say when it comes to hiring at his agency: “Our offices must always be headed by the kind of people who command respect. No phonies, zeros or bastards.” His wisdom in hiring talents who uphold professional integrity in the work they do is a powerful solution to the twaddle tendency a.k.a bullshit.

### Antidotes

- “The principal job of an academic administration is to keep the people who don’t matter from interfering with the work of the people that do.” - Caltech engineering professor

### Resources

- [Managing yourself: The Boss As Human Shield](#)
- [Are You Listening Like A Leader](#)

## 21. Reason-Respecting Tendency

Before doing things, we love to have reasons. Therefore, when delegating things to other people, be sure to share the reasons why the task is important.

In a [famous study](#) by researcher, Ellen Langer, she showed that when asking for a favor from a stranger, simply giving a reason for the request, even if it's artificial, greatly increases the odds of the person complying.

## Quotes

- “ There is in man, particularly one in an advanced culture, a natural love of accurate cognition and a joy in its exercise.” - Munger
- “ In general, learning is most easily assimilated and used when, life-long, people consistently hang their experience, actual and vicarious, on a latticework of theory answering the question: Why? Indeed, the question “Why?” is a sort of Rosetta stone opening up the major potentiality of mental life.” - Munger
- “ Unfortunately, Reason-Respecting Tendency is so strong that even a person’s giving of meaningless or incorrect reasons will increase compliance with his orders and requests.” - Munger

## Antidotes

- Keep track of the evidence for your valid beliefs so that when you explain it to others, it makes sense.

## Resource

- [Xerox Mindfulness Experiment](#)

## 22. Lollapalooza Tendency

Lollapalooza Tendency is the tendency to get extreme consequences from confluences of psychological tendencies acting in favor of a particular outcome. Although it is lasted last here, Munger counts it as one of the most important.

This tendency works in one of two ways:

- **Effects bolster each other.** In the famous Milgram experiments at Stanford, test subjects devolved into terrible behavior in just a few days as a result of six tendencies being triggered at once. In Munger’s experience, when you combine two forces together, you don’t get simple addition, you get a nuclear explosion.
- **Effects cancel each other out.** As companies grow, they get benefits (ie - economies of scale) and disadvantages (ie - beauracracy).

By understanding all of the biases *and* how they relate to each other, you will have a huge advantage in your life.

## Quotes

Tendency #1	Tendency #2	Results
Reciprocation	Inconsistency Avoidance	<ol style="list-style-type: none"> <li>1. Fulfillment of promises made as part of a bargain, including loyalty promises in marriage ceremonies,</li> <li>2. Correct behavior expected from persons serving as priests, shoemakers, physicians, and all else." - Munger</li> </ol>
Inconsistency-Avoidance	Deprival-Superreaction	Cases where there is extremes of ideology, which are maintained with great intensity and with great dislike toward non-believers.
Deprival-Superreaction	Inconsistency-Avoidance	Form of business failure where someone gradually uses up all their good assets in a fruitless attempt to rescue a big venture going bad."
Social Proof	Incentives	<b>Serpico Syndrome.</b> Named to commemorate the state of a near-totally corrupt New York police division joined by Frank Serpico. He was nearly murdered by gunfire because of his resistance to going along with the corruption in the division. Such corruption was being driven by social proof plus incentives.
Social-Proof Tendency	Envy/Jealousy + Deprival-Superreaction	<p>"One such interaction amused my family for years as people recalled the time when my cousin Russ and I, at ages three and four, fought and howled over a single surplus shingle while surrounded by a virtual sea of surplus shingles.</p> <p>"But the adult versions of this occasion, boosted by psychological tendencies preserving ideologies, are not funny and can bring down whole civilizations. The Middle East now presents just such a threat." - Munger</p>

## Quotes



Life is just one damn relatedness after another." - Julian Huxley



Everyone who has taken Psych 101 knows that stress makes Social-Proof Tendency more powerful." - Munger

## **Example**

- [A combination of factors](#) caused Apple stock prices to go down by almost 50% last year.

## **Resource**

- [Examples Of Lollapalooza Effect In The Real World](#)

## **Apply The Tendencies To Your Life**

One of Munger's biggest insights into psychological biases is using checklists. Checklists allow Munger to use the right models at the right time when he's making important decisions.

As shared in [Checklist Manifesto](#), checklists are deceptively powerful. The author, Atul Gawande, shares how simple checklists used in surgeries save lives. Avoidable mistakes happen when smart people who think they know it all don't use checklists.

In [Seeking Wisdom](#) (294-295), a book fully endorsed by Charlie Munger and Warren Buffett, the following checklist is proposed for understanding the impact of our biases on any given decision:

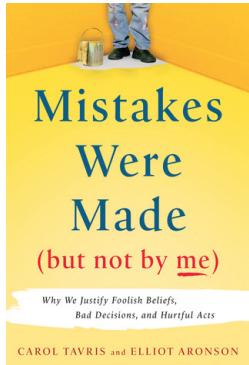
- What is causing me to do this?
- What is the context?
- Can I judge him?
- What is in his self-interest to do?
- What are the psychological tendencies and shortcuts that influence him and can cause misjudgment?
- What are the consequences?
- What system would I like to have if the roles were reversed?
- Is this the right system?

## **Two-Track Analysis**

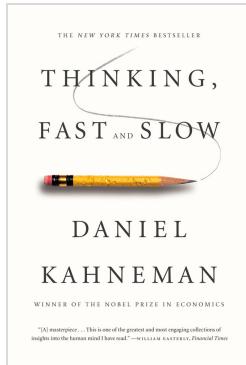
Another checklist Charlie uses is Two-Track analysis. It combines insights from psychology, neuroscience and economics about the nature of human behavior. This model instructs that when analyzing any situation in which decision-making by people is involved, which of course covers every business situation, he must consider two tracks:

- How they would act if they behaved rationally, according to their true best interests.
- How they would succumb to the pull of a number of irrational psychological biases that seem to be “programmed” into the human brain.

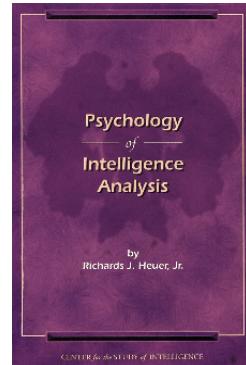
## Books For Overcoming Limiting Psychological Biases



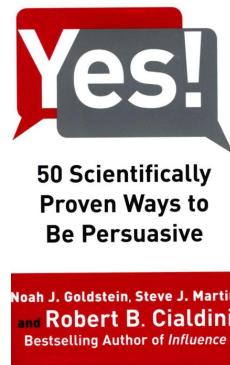
[Mistakes Were  
Made  
\(But Not by Me\)](#)



[Thinking, Fast  
and Slow](#)

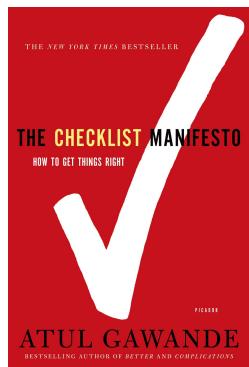


[Psychology of  
Intelligence  
Analysis](#)

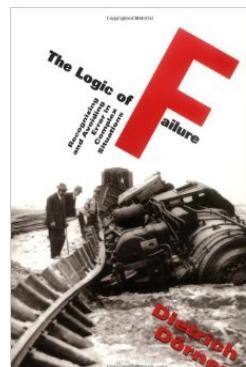


Noah J. Goldstein, Steve J. Martin,  
and Robert B. Cialdini  
Bestselling Author of *Influence*

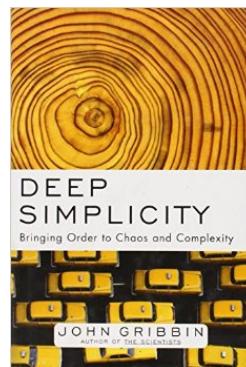
[Yes! 50 Scientific  
Ways to Be  
Persuasive](#)



[Checklist Manifesto](#)



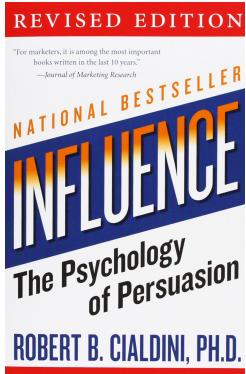
[The Logic Of  
Failure](#)



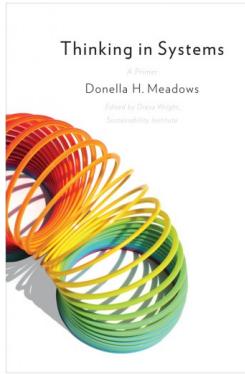
[Deep Simplicity](#)



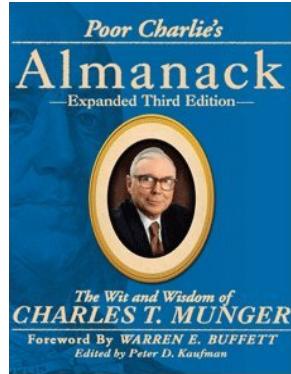
[Breaking Bias](#)



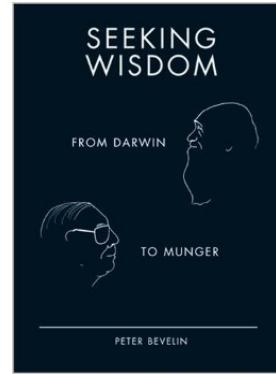
[Influence](#)



[Thinking In Systems](#)



[Charlie's Almanack](#)



[Seeking Wisdom](#)

## Credits

Thank you Ian Chew for the research assistance.