

The Art of Thinking

Thinking

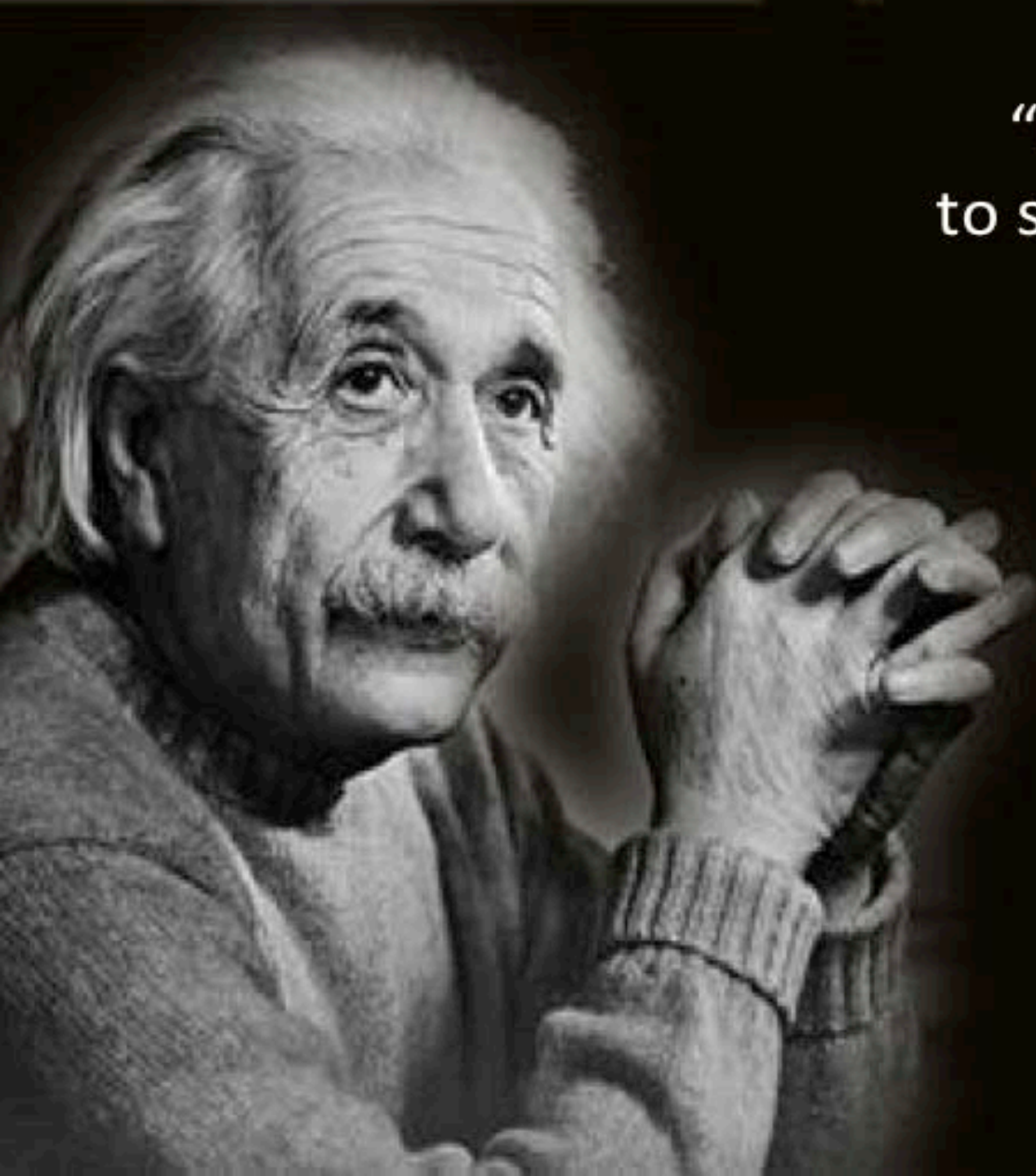


Please Wait

<http://absolute-health.co.uk/wp-content/uploads/2015/08/Thinking.jpg>

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“If I had an hour
to solve a problem
I'd spend
55 minutes
thinking about
the problem
and 5 minutes
thinking about
solutions.”

– Albert Einstein

Main Reference

Hardcover, 384 pages

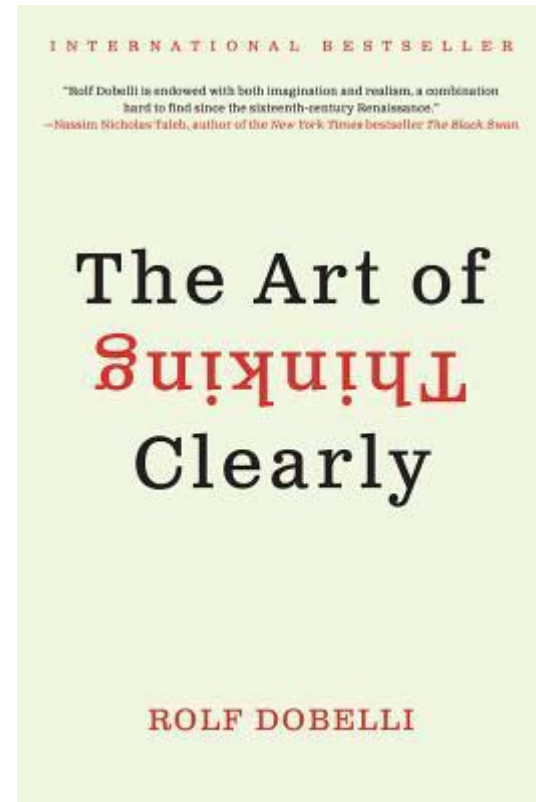
Published May 14th 2013 by Harper (first published January 1st 2011)

Original Title: Die Kunst des klaren Denkens

ISBN: 0062219685 (ISBN13: 9780062219688)

<http://www.goodreads.com/book/show/16248196-the-art-of-thinking-clearly>

<http://www.dobelli.com/start/the-art-of-thinking-clearly-table-of-contents>



Why You Should Visit Cemeteries: Survivorship Bias

- Behind every popular author you can find a hundred other writers whose books will never sell.
- Behind them are another hundred who haven't found publishers.
- Triumph is more visible than failure
- Visit the graves of once promising projects, investments etc.

Sunk Cost Fallacy - Why you should forget the past

- Having paid for a movie is not a reason to stay through a bad one.
- “We have invested so much money in it. If we stop now it will all have been for nothing.” —the investment as a reason to carry on. The more you invest, the greater the sunk cost.
- This irrational behavior is driven by a need for consistency.
- Only your assessment of the future costs and benefits matter.

Availability Bias – Why we prefer a wrong map to none at all

- We create a picture of the world using examples that come most easily to us.
- Things don't happen more frequently because we conceive of them more easily.
- We overestimate the risk of being victims of a plane crash than from dying from diabetes.
- We attach more risk to the loud and spectacular and less to the silent.

“The Internet is particularly fertile ground for the confirmation bias. To stay informed, we browse news sites and blogs, forgetting that our favored pages mirror our existing values.”

A possible solution

Spend time with people who are different from you –

people whose experiences and expertise and outlook are different from yours.

Incentive Super Response Tendency – Never pay your lawyer by the hour

- *To control rat infestation, French colonial rulers in Hanoi passed a law - for every dead rat, the catcher would receive a reward. Many rats were destroyed but many were bred for this purpose.*
- Managers being paid for hitting targets -targets are lowered.
- People respond to incentives by doing what is in their best interest.
- Behavior changes quickly when incentives come to play.

“Never judge a decision purely by its result especially when randomness and external factors play a role. A bad result does not automatically indicate a bad decision or vice versa.”

Neglect of Probability—Why you'll soon be playing mega trillions

Leads to errors in decision-making.

Following a plane crash, we cancel flights without considering the minute probability of crashing, which remains the same before and after—maybe lower after.

People are equally afraid of a 99% chance as they are of a 1% chance of toxic chemicals.

Scarcity Error—Why the last cookie in the jar makes your mouth water

Rara sunt cara—rare is valuable.

Gallery owners place red dots under most of their paintings, transforming the few remaining into rare items to be snatched quickly.

We collect stamps, coins, and vintage cars when the post office and banks won't take them, and old cars cannot be driven on the road.

Romeo and Juliet effect - love between teenagers is forbidden.

US student parties - they drink more because of the drinking age.

Social Loafing - Why teams are so lazy

The power of two animals pulling a coach does not equal the power of a single horse.

On average, two people pulling together -

→ each invests **93%**.

→ **Three - 85%**.

→ **Four - 49%**

Explains government - over employed.

We hide behind team decisions—the diffusion of responsibility.

People behave differently in groups than when alone.

Fundamental Attribution Error -

Never ask a writer if the novel is autobiographical

Every story has a face.

- Be on the look out for the people angle.
- The tendency is to overestimate individual's influence and underestimate external, situational factors.
- Economic success depends far more on the overall economic climate and the industry's attractiveness than on brilliant leadership.

Framing - It's not what you say, but how you say it.

We react differently to identical situations, depending on how they are presented.

C'est le ton qui fait la musique. (The music makes the song)

**Which piece of meat is healthier -
99% fat free or 1% fat meat.**

Framing - It's not what you say, but how you say it.

Realize that whatever you communicate, it has an element of framing.

FATHER, MAY I SMOKE WHILE I PRAY?

OF COURSE NOT, MY SON.

FATHER MAY I PRAY WHILE I SMOKE?

OF COURSE, MY SON. YOU CAN PRAY ALWAYS.

Action Bias - Why watching and waiting is torture

On penalty shots, goalies dive to the left or to the right. Rarely do they stay in the middle.

One third comes through the middle. Why?

Appearance. It's more impressive and less embarrassing diving to the wrong side than to freeze on the spot and watch the ball sail past.

It looks active, even if it achieves nothing.

In the hunter-gatherer society—
deliberation could be fatal. So we
are inclined to be seen as doing
something.

All humanity's problems stem from
man's inability to sit quietly in a
room alone.

Beginner's Luck - Be wary when things get off to a great start

Napoleon and Hitler : They would have never launched a campaign against the Russians without the previous victories in smaller battles to bolster them.

How to tell the difference? If you are much better than others over a long period of time, then you can be fairly sure that talent plays a part.

Information Bias - If you have an enemy, give him information

This is the delusion that more information guarantees better decisions.

Seeing the entire list of hotels in an area and choosing the one with the star did not give you a better decision. It wasted your time.

Studies are conducted when critical facts are already available.

There were terabytes of info on Bloomberg, yet economists still missed the 2008 crisis.

Information Bias - If you have an enemy, give him information

Forget trying to amass all the data. Do your best to get by with the bare facts.

Superfluous knowledge is worthless.

The greatest obstacle to discovery is not ignorance—it is the illusion of knowledge.

Give your rival reams of data and analysis.

Effort Justification (EJ)- It hurts so good

When you put a lot of energy into a task, you tend to overvalue the result.

Managers who put weeks of hard work into a strategy proposal will be incapable of appraising it objectively.

In the 1950s, housewives rejected instant cake because it made baking too easy. Firms reacted and made preparation slightly more difficult. Beat an egg yourself.

A marble statue of David, shown from the chest up, in profile facing right. He has thick, curly hair and is looking slightly downward. His hands are clasped in front of him. The background is a dark, paneled wall.

MICHELANGELO:

“[What is the] secret of your genius?”

“Simple. I removed everything that is not David.”

Ask your enemy

Do you have at least one enemy? Good.

Invite him or her over for coffee and ask for an honest opinion about your strengths and weaknesses.

You will be forever grateful you did.

Eliminating Choice

In the third century BC, General Xiang Yu sent his army across the Yangtze River to take on the Qin dynasty.

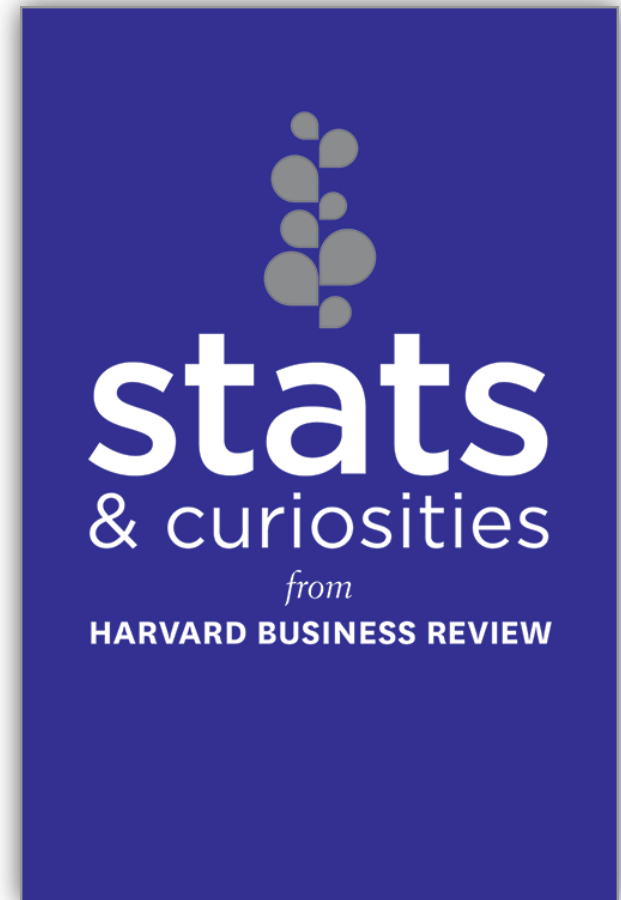
While his troops slept, he ordered all the ships to be set alight.

The next day he told them: “You now have a choice: Either you fight to win or you die.”

By removing the option of retreat, he switched their focus to the only thing that mattered: the battle.

Stats and Curiosities:

From Harvard Business Review



<https://hbr.org/product/stats-and-curiosities-from-harvard-business-review/an/16439E-KND-ENG>

Moral Sentiments seem to arise from a single molecule

- An infusion of the neurohormone oxytocin into research participants' noses increased their generosity 80% in an experimental game, suggesting that this molecule is responsible for humans' moral sentiments, says **Paul J Zak of Claremont Graduate University**.
- A previous study showed that an oxytocin infusion can more than double the number of subjects who trusted a stranger with all their money

Telecommuters are more productive on creative tasks, less on dull ones

- A telecommuting experiment involving university students shows that working remotely reduces productivity by 6 % to 10 % if the task involves typing randomly generated characters but boosts productivity 11 % to 20 % for the job of imagining unusual uses for a tin can, says **E. Glenn Dutcher** of the University of Innsbruck in Austria.
- **So if a task is tedious, an employer should make sure it's done in the office, but when it comes to creative work, a manager might do best to allow employees to work remotely, Dutcher says.**

Google discovers the optimal lunch-line waiting time

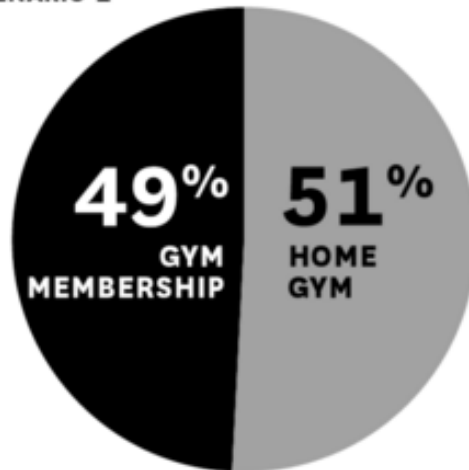
- Researchers for Google's HR department have found that the wait for lunch in the cafeteria should be about 3 or 4 minutes- no more, no less.
- That's just long enough for employees to meet new people but still short enough not to be a time-waster, according to Slate.
- ***And lunch tables should be long***, so workers who don't know each other are forced to sit together and chat.

Expensive things seem less valuable if they're bundled with cheap items

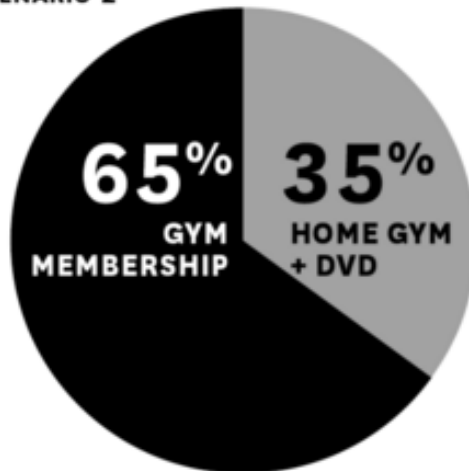
The fraction of people choosing a home gym over a 1-year gym membership dropped 31 % if the gym came bundled with a fitness DVD,

A finding that pokes a hole in the notion that product value is always additive in the consumer's mind, according to an experiment by **Aaron R. Brough of Pepperdine University and Alexander Chernev of Northwestern University.**

SCENARIO 1



SCENARIO 2



When consumers were offered a choice between a gym membership and a home gym, slightly more than half preferred the home gym. But when a fitness DVD was included with the home gym, only about a third chose it.

When trying to determine the value of a bundle of products with disparate prices, consumers tend to calculate a rough average rather than add the values of the items, the researchers suggest.

“ I am thankful
for all of those
who said NO
to me. Its because
of them I'm
doing it myself. ”

Albert Einstein

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discussion