UNDERSTANDING THINKING
A bat and a ball cost $1.10. The bat costs a dollar more than the ball. How much does the ball cost?
OVERVIEW

• Two Systems

• Cognitive Biases (Heuristics)
WHICH IS MORE LETHAL?
COGNITIVE BIASES

- **Anchoring Bias**: “anchoring” to the first piece of information offered & using it as a comparison to subsequent offers
- **Gambler’s Fallacy**: using previous events to predict future outcomes
- **Availability Heuristic**: relies on immediate examples that come to mind when evaluating a specific topic, concept, method or decision (What You See Is All There Is)
- **Blind-Spot Bias**: recognizing bias in others, but failing to see our own
- **Confirmation Bias**: giving more credence only to information that confirms our pre-existing views while ignoring contrary opinions
- **Over Confidence**: being overly confident in our abilities, causing us to take greater risk that we should
- **Law of Recency**: tendency to weigh most recent information more heavily than older information
COGNITIVE BIASES

• **Law of Primacy**: information first presented has greater effectiveness in persuasion than the information subsequently presented

• **Loss Aversion**: tendency to prefer avoiding losses to acquire equivalent gains

• **Stereotyping**: expecting a group or person to have certain qualities with no prior information about the person and/or group

• **Bandwagon Effect**: subscribing to group norms without conscious thought

• **Hindsight Bias**: inclination after an event has occurred to see the event as having been predicable, despite having there been little or no objective basis for predicting it
Summary

- Two Systems
- Cognitive Biases (Heuristics)