

UNDERSTANDING THINKING

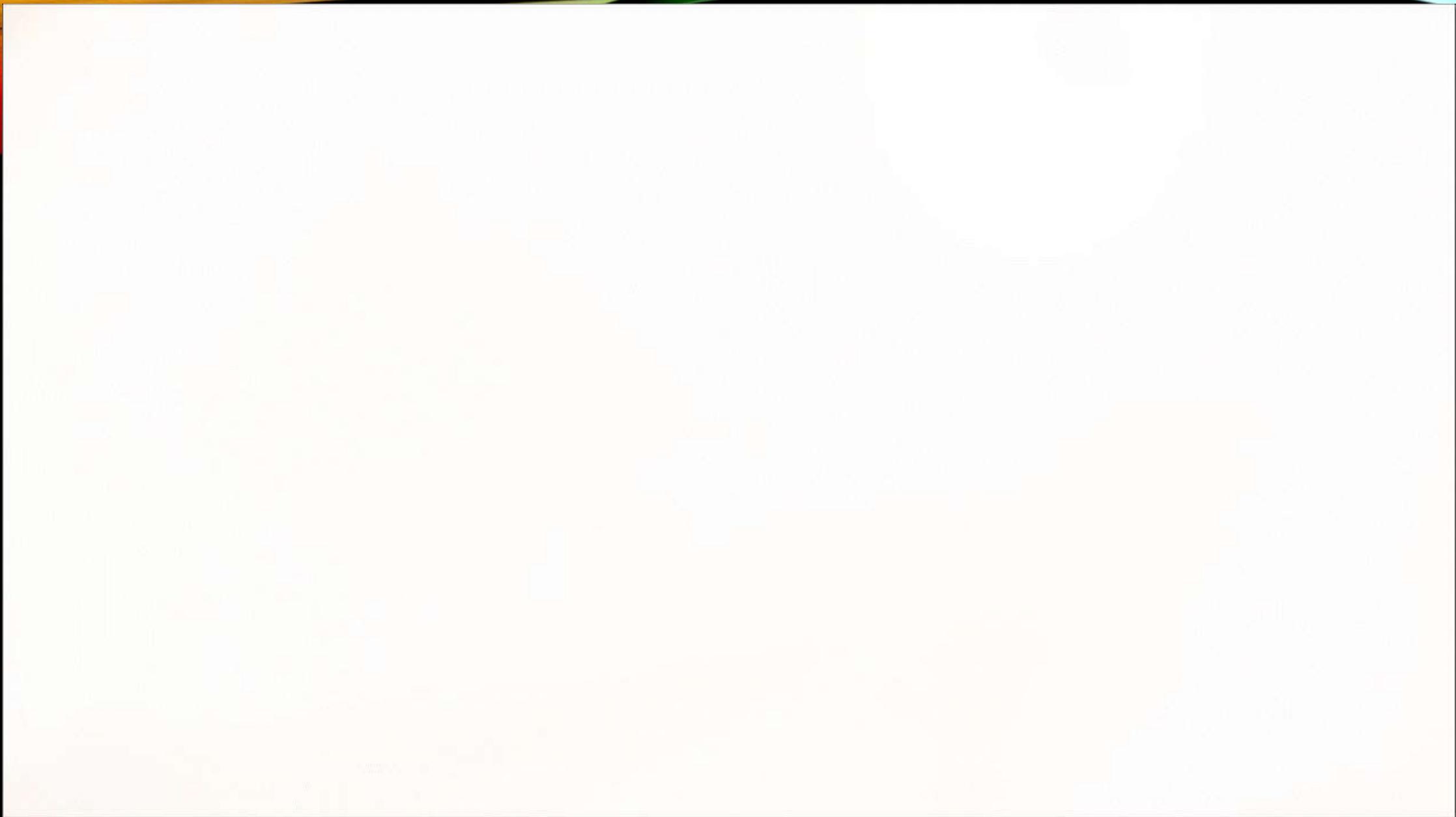
A bat and a ball cost \$1.10.
The bat costs a dollar more than the ball.
How much does the ball cost?



OVERVIEW



- Two Systems
- Cognitive Biases (Heuristics)



WHICH IS MORE LETHAL?



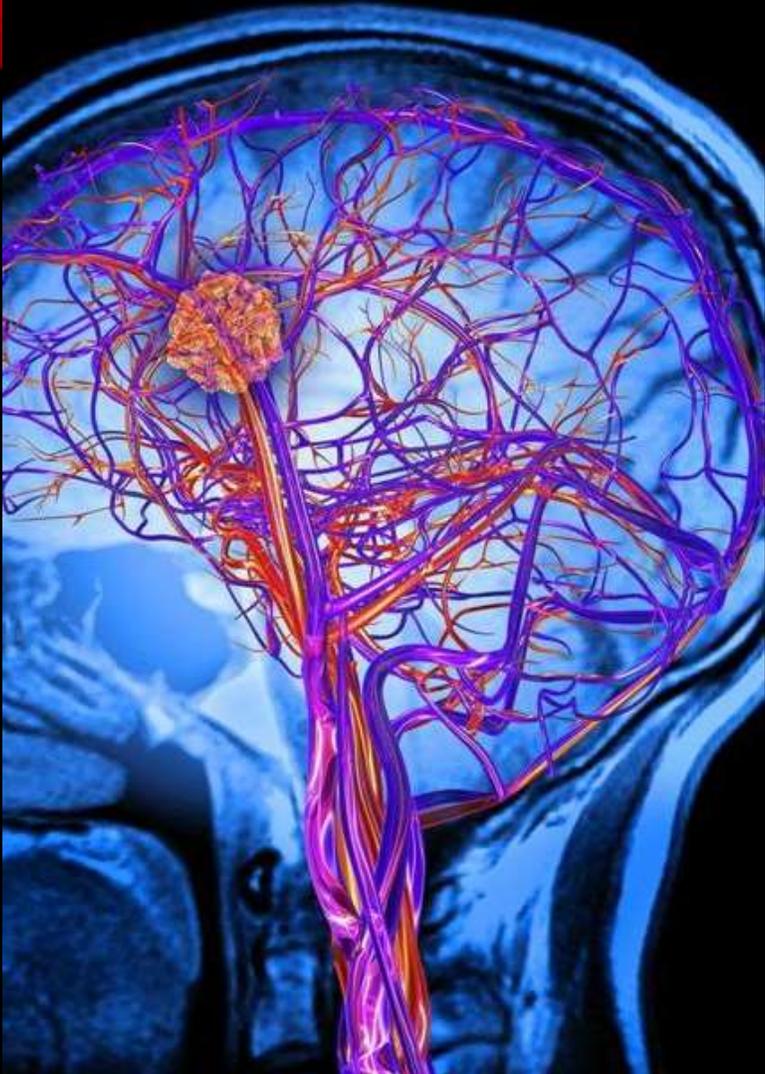
COGNITIVE BIASES

- **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 than 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 predictable, despite having there been little or no objective basis for predicting it

Summary



- Two Systems
- Cognitive Biases (Heuristics)