

Thinking Fast and Slow by Daniel Kahneman | Book Summary by Paul Minors

INTRODUCTION

Who is this summary for?

This is a great read for anyone who is interested in psychology and processes of thought. Thinking Fast and Slow by Daniel Kahneman analyses two modes of thought; "System 1" is fast, instinctive and emotional; "System 2" is slower, more deliberative, and more logical. It examines emotional thought versus more logical thought and will literally change the way you think.

About the author

Born in Israel, Daniel Kahneman grew up in France before returning to Palestine. After studying psychology and receiving his bachelors, Kahneman was enlisted in the Israeli defence force, working primarily in the psychology department. Kahneman later moved to America to complete his Ph.D. in psychology and has since earned a Nobel prize for his work on psychology and economics.

In this summary

This summary will follow a similar format to Kahneman's book and will discuss each of the five parts. Part one will examine the two different systems of thought. The second part will discuss heuristics and biases before we move onto part three and overconfidence. Part four will summarise different choices and finally, part five will discuss the concept of two selves.

BOOK SUMMARY

PART ONE. TWO SYSTEMS

Kahneman explains that there are two systems when it comes to considering judgement and choice. The first system is fast and automatic in comparison to the second system which is slower and more deliberate. We will discuss these in more detail below.

System one

Kahneman considers the first system to be fast thinking. It is thinking done almost automatically or instinctively. Thinking is done with almost no effort from the person and there is no feeling of control. Kahneman explains that this is the system of thinking that is incredibly influential, more than you think, as it influences almost all of your regular judgements and choices. Answering simple equations such as 2+2 or knowing that the second part of the phrase "bread and..." is butter is due to the first system of thinking.

System one executes skilled responses and generates skilled intuitions, after adequate training. System one creates a coherent pattern of activated ideas in associative memory. It also links a sense of cognitive ease to illusions of truth, pleasant feelings, and reduced vigilance.

System two

If the first system is fast thinking, then the second system is slow thinking. Kahneman explains that the second system involves thinking that is more complex and more mentally draining. It takes concentration and agency of the person to process the thoughts. Kahneman explains that system two is easier to identify with, it is the conscious self, the version of you that makes decisions, makes choices, has reason and beliefs. In order to monitor your own behaviour in certain situations, or to increase your natural walking pace you would be tapping into system two.

Two systems together

It may seem that system two is the dominant system, but Kahneman explains that system one is actually the hero here. Being such a rapid process, system one will

inevitably run into problems from time to time, and in this situation, system two will step in for support. Sometimes the situation will call for more detailed processing than system one can account for. When system one simply cannot provide an answer, system two will step up to the plate. Kahneman explains that system two is designed to monitor the thoughts and actions that system one promotes. Not only will it monitor these, but it will also control these by encouraging, suppressing or modifying behaviours.

PART TWO. HEURISTICS AND BIASES

Kahneman explains that when it comes to doubt, the systems differ. System one is not capable of experiencing doubt. Whereas, system two has the capacity to experience doubt. This is because system two often promotes two options simultaneously that are not compatible.

Anchors

“The anchoring effect occurs when people consider a particular value for an unknown quantity before estimating that quantity: the estimates stay close to the number that people considered. Each system produces different anchoring effects: a deliberate process of adjustment (System two). And a priming effect, an automatic manifestation of System one.”

Kahneman explains that the relationship between the two systems can be seen in the effects of random anchors. He explains that usually, the study of anchoring effects has been based on judgement and choice, the characteristics of system two. However, Kahneman explains that the data that system two uses, derives from memory, the automation from system one. Therefore it becomes clear that system two actually doesn't have any control or knowledge of the effect. Kahneman explains that it also means that system two is more likely to buy into the bias of anchors encouraging some information to be accessed more easily than others.

Biases

Kahneman acknowledges the difficulty of trying to avoid biases. But he also emphasises the importance of doing so in order to remove the risk of mistakes.

“The ease with which instances come to mind is a System 1 heuristic, which is replaced by a focus on content when System 2 is more engaged. Multiple lines of evidence converge on the conclusion that people who let themselves be guided by System 1 are more strongly susceptible to availability biases than others who are in a state of higher vigilance.”

Risk and failures

Kahneman believes that the concept of risk is a human invention. They designed it to assist them with the navigation of dangers, fears, and uncertainties. Kahneman explains that there are real dangers and uncertainties, however, the concept of 'real risk' or 'objective risk' does not actually exist.

"When an incorrect intuitive judgment is made, System one and System two should both be indicted. System one suggested the incorrect intuition, and System two endorsed it and expressed it in a judgment."

Kahneman explains that system two is capable of failure, and there are two reasons why this happens; ignorance and laziness.

System one is capable of making what Kahneman refers to as extreme predictions. System one is prone to using not a whole lot of evidence to make sometimes irrational predictions. He explains that this is due to the nature of system one being more likely to jump to overconfident conclusions, without enough evidence.

System two has problems with regression. Kahneman explains that it's intuitive and reasonable to see the connection between making predictions and the evidence that is presented.

"We will not learn to understand regression from experience."

PART THREE. OVERCONFIDENCE

"Narrative fallacies arise inevitably from our continuous attempt to make sense of the world. We, humans, are constantly fooling ourselves by constructing flimsy accounts of the past and believing they are true."

Kahneman explains that the illusion we are faced with is that we are predisposed to assume that we understand past. And by understanding the past, we believe that we can also know what the future might hold. However, Kahneman explains that we don't really understand the past nearly as much as we might think. He explains that the key to understanding and being able to comprehend a future is to adjust the language we use in relation to any of our past beliefs. Language is so important as it shapes our reality so it is essential that we use the right languages when thinking about the past.

Hindsight

"Hindsight bias has pernicious effects on the evaluations of decision makers. It leads observers to assess the quality of a decision not by whether the process was sound but by whether its outcome was good or bad."

Kahneman explains that the people who struggle the most with hindsight, are those who act as agents over others and those that are decision makers, such as doctors, financial advisors, social workers or politicians. It seems too easy to shift blame away from ourselves and onto the decision makers when a decision that has been made doesn't work out as we expected. As well as blaming them all too easily, we often fail to credit them when the decisions they make do work out, assuming that they are just doing their job.

"Actions that seemed prudent in foresight can look irresponsibly negligent in hindsight."

Kahneman explains that another consequence of hindsight is that the risk seekers who take big gambles and make a big win are often celebrated undeservedly. Regardless of their reckless behaviour, the result was good so they are never punished for their luck.

System one

According to system one, the world should be a predictable, straight-forward and easy to understand place. But this is simply an illusion.

"The illusion that one has understood the past feeds the further illusion that one can predict and control the future. The mistake appears obvious, but it is just hindsight. You could not have known in advance."

We've already learned that system one prompts us to need very little (if any) evidence to jump to radical conclusions and make significant predictions. We hold a lot of confidence in our opinions and our judgements. Evidence simply does not come into it. Kahneman stresses just how crazy this can be, really we have very little knowledge yet have a lot of confidence in our beliefs. However crazy it may seem, Kahneman explains that it's also important to remain confident.

"Confidence is a feeling, which reflects the coherence of the information and the cognitive ease of processing it."

Assumptions and optimism

In making assumptions and predictions about the future, mistakes are inevitable, but Kahneman explains that we can learn from these mistakes. The first lesson that we can learn is that the world is entirely unpredictable and error will always be made. Secondly, we can learn that confidence should be trusted as a scale of accuracy, in fact, low confidence will often present more truth.

"Optimistic individuals play a disproportionate role in shaping our lives. Their decisions make a difference; they are the inventors, the entrepreneurs, the political and military leaders—not average people. They got to where they are by seeking challenges and taking risks."

PART FOUR. CHOICES

Kahneman acknowledges that the majority of people don't enjoy risk and avoid it whenever possible. In most cases, when offered two options, one being a gamble with a value much higher than expected, and one being a sure thing of expected value, most people will pick the sure thing. This is because we crave the security of knowing the outcome and avoiding the risk. Kahneman explains that in some cases if a sure thing is offered with less than expected value, some decision-makers will take this as the option, determined to avoid any potential risk.

"People who face very bad options take desperate gambles, accepting a high probability of making things worse in exchange for a small hope of avoiding a large loss. Risk-taking of this kind often turns manageable failures into disasters."

Loss aversion

"Many of the options we face in life are "mixed": there is a risk of loss and an opportunity for gain, and we must decide whether to accept the gamble or reject it."

Kahneman describes loss aversion as the motive to avoid losses as stronger than the motive to achieve gain. To use money as an example, we are likely to be motivated more to not lose money than we would be to make money. Kahneman explains that this is why many people don't set high-achieving goals. By setting a goal you never reach, you are making a loss. By exceeding the goal, you are achieving a gain. He explains that in many cases, people will reduce their efforts once they have reached a specific goal because they see no point going above and beyond, it's not about the gains, it's about avoiding the loss.

"This reform will not pass. Those who stand to lose will fight harder than those who stand to gain."

Defeat

Defeat is never easy to accept. Kahneman believes that this is why wars go on so long, despite the losing side knowing that they have no chance, they'll often persist, holding on to the smallest bit of hope that they can avoid defeat.

When outlining a new plan, the obvious outcome we all imagine is success. However, Kahneman points out that often, failure is more likely, as there is usually one plan for success but multiple ways that things can go wrong.

"Entrepreneurs and the investors who evaluate their prospects are prone both to overestimate their chances and to overweight their estimates."

Regret

Kahneman explains that regret is not only an emotion but also a punishment. We often prescribe ourselves with regret when something goes wrong. And for this reason, a fear of regret is a motivation behind many decisions that we make. We avoid making decisions that may lead to regret and often miss out on opportunities because of this. Again, decision makers are the most affected by regret. They know that regret is more likely in their lives and they often live in anticipation of it. This gives the emotion of regret power, and it has a significant role in all decisions that are made.

"Regret is one of the counterfactual emotions that are triggered by the availability of alternatives to reality."

PART FIVE. TWO SELVES

Decisions

It's easy to assume that we make all of our decisions with our best interests at heart. However, Kahneman explains that this is simply not the case. Making a decision is not necessarily taking into account our preferences, despite basing them on experience. This issue is that our decisions and preferences are significantly influenced by memories, and memories are not always right. Kahneman explains that even short-term memory is limited, a memory from only 15 minutes ago can be remembered differently, and this has an impact on your decision making.

"Our memory, a function of System 1, has evolved to represent the most intense moment of an episode of pain or pleasure (the peak) and the feelings when the episode was at its end. A memory that neglects duration will not serve our preference for long pleasure and short pains."

Kahneman uses the example of a failed marriage to explain the memory issue. When looking back at a failed marriage, you're likely to have only negative thoughts, considering the painful divorce process and the last few months which were potentially tense and miserable. What you fail to remember is the years and years of happiness and love that you enjoyed. Just because it ended on a bad note doesn't mean that the whole experience was terrible. But unfortunately, we are predisposed to remember the bad parts, and that is then taken forward to help make future decisions.

Emotions

"The experience of a moment or an episode is not easily represented by a single happiness value. There are many variants of positive feelings, including love, and joy. Negative emotions also come in many varieties, including anger and loneliness."

Kahneman explains that positive and negative emotions are totally capable of co-existing and being present at the same time. However, we are also capable to table moments in our life as one or the other. We'll associate a memory or moment with a feeling of either positivity or negativity.

Well-being

Kahneman explains that mood is never constant. There are many factors that can influence someone's mood including temperament and overall happiness. Moods and emotional well-being can change many times over a day or week. The current situation that an individual is facing has a significant impact on mood.

"We cannot hold a concept of well-being that ignores what people want. On the other hand, it is also true that a concept of well-being that ignores how people feel as they live and focuses only on how they feel when they think about their life is also untenable. We must accept the complexities of a hybrid view, in which the well-being of both selves is considered."

CONCLUSION

Key takeaways

- The first system can be considered fast thinking. It is thinking done almost automatically or instinctively.
- The second system is slow thinking. It involves thinking that is more complex and more mentally draining. It takes concentration and agency of the person to process the thoughts.
- Most of the time we rely on system one, but when that fails us, system two is implemented with more rational thought and conscious decision making.
- System two is better suited to problem-solving and intense analysis.
- System one is not capable of experiencing doubt. Whereas, system two has the capacity to experience doubt
- System one is predisposed to jumping to conclusions with limited evidence.
- System one is also likely to make predictions and assumptions about the future without assessing the evidence.
- We are more likely to do anything we can to avoid risk than we are motivated to make gains.
- We assume that we know everything about our past, and therefore we can predict what the future might hold. However, we know less about the past than we think.
- Decisions are influenced by memories but memories can be misleading or wrong.

Further reading

Think and Grow Rich by Napoleon Hill examines the psychological power of thought and the brain in the process of furthering your career for both monetary and personal satisfaction. Originally published in 1937, this is one of the all-time self-help classics and a must read for investors and entrepreneurial types.

Mindset by Carol Dweck is a psychological examination of two different mindsets; the fixed mindset and the growth mindset. She discusses how these come into play and how they effect our lives. Deck's book goes into detail about how mindsets can be applied to all areas of life from schooling, work, relationships and parenting. At the end of each chapter, Dweck has leading questions and tips on how you can grow your own mindset. A must-read for anyone looking to expand themselves, grow and learn.

Liminal Thinking by Dave Gray is a great book that challenges the way you think and the way you see the world. Gray emphasises that we all have a choice in how we see and navigate the world, and the first step to success is to engage in liminal thinking and allow ourselves to explore new opportunities.

Guidelines is my eBook that summarises the main lessons from 33 of the best-selling self-help books in one place. It is the ultimate book summary; Available as a 80-page ebook and 115-minute audio book. Guidelines lists 31 rules (or guidelines) that you should follow to improve your productivity, become a better leader, do better in business, improve your health, succeed in life and become a happier person.

Action steps

- Download the complete book on [Amazon](#).

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