

Sahil Bloom @SahilBloom

Cognitive biases are systemic errors in thinking that negatively impact decision-making quality and outcomes.

Here are 20 cognitive biases to learn (so you can think clearly and make better decisions):

1. Fundamental Attribution Error

- a. Humans tend to:
 - i. Attribute the actions of others to their character (and not to their situation or context).
 - ii. Attribute our actions to situation and context (and not to our character).
- b. We cut ourselves a break but hold others accountable.

2. Bandwagon Effect

- a. Humans are a social species - this allowed us to thrive. But it also has a downside.
- b. It creates a strong tendency to speak, act, or believe things simply because a lot of other people do.
- c. Bandwagon effect is similar to "groupthink" and is very dangerous.

3. Egocentric Bias

- a. The human tendency is to have a higher view of one's self than is objectively warranted.
- b. In group activities, we tend to overestimate (in comparison to objective measure) the degree and value of our own contributions relative to others.

4. Naïve Realism

- a. Humans think very highly of themselves (see egocentric bias!).
- b. We tend to believe that we see the world with perfect objectivity (cognitive biases be damned!).
- c. We also assume that people who disagree with us must be ignorant, uninformed, or biased.

5. Baader-Meinhof Phenomenon

- a. Ever notice that something you just learned seems to pop up everywhere around you?
- b. The Baader-Meinhof Phenomenon says that increased awareness of something creates the illusion that it is appearing more often.
- c. Like seeing 11:11 on your phone clock.

6. Pygmalion Effect

- a. High expectations lead to high performance (and vice versa).
- b. Those who have high expectations placed on them are more likely to internalize these expectations and improve their performance accordingly.
- c. Leaders may attempt to use this to their advantage.

7. Confirmation Bias

- a. Humans have a tendency to see and interpret information in a manner that supports previously held beliefs.
- b. New data positive? This idea is a slam dunk!
- c. New data negative? Must have been an error in the experiment.
- d. Very common and very dangerous.

8. Backfire Effect

- a. The "backfire effect" is the tendency for humans to use evidence in direct conflict with their thesis to further strengthen their previously held beliefs.
- b. It is a more dangerous version of confirmation bias (also less common and scientifically contested).

9. Anchoring

- a. The "anchor" is a reference point of information (usually the first piece of information received on a topic).
- b. All subsequent thinking or decisions are silently "anchored" to this point.
- c. Anchoring has been proven by scientists (and used car salesmen) time and again.

10. Dunning-Kruger Effect

- a. People with a low ability at a task are prone to overestimate their ability at that task.
- b. Humans are notoriously incapable of objective evaluation of their competency levels.
- c. Remember: Everyone is a genius in a bull market.

11. The Ben Franklin Effect

- a. "He that has once done you a kindness will be more ready to do you another, than he whom you yourself have obliged."
- b. Doing a favor makes you more likely to do another for that person than them doing a favor for you.
- c. We reinforce our self perceptions.

12. Loss Aversion

- a. First identified by famed scientists Amos Tversky and Daniel Kahneman, it says the pain of losing something is more powerful than the pleasure of winning it.
- b. As such, humans will typically do more to avoid losses than they will to seek gains.

13. Endowment Effect

- a. Related to loss aversion, the endowment effect says that once we have something, we don't want to give it up.
- b. Humans will demand more to give up an object than they would be willing to pay to acquire it.

14. Availability Bias

- a. Humans evaluate situations based on the most readily available data, which tends to be what can be immediately recalled from memory.
- b. This is how the news cycle impacts our thinking. Its persistent negativity cements a belief that the world is a dark place.

15. Survivorship Bias

- a. History is written by the victors.
- b. But concentrating on "survivors" and systematically ignoring "casualties" of any situation leads to distortions in our conclusions.
- c. We overestimate the odds of success because we only read books about the successes!

16. The Ikea Effect

- a. People ascribe significantly more value to objects that they have created or assembled, irrespective of the final quality of the object.
- b. We infuse our own self worth into the object, thereby increasing its value in our minds.

17. Hindsight Bias

- a. Humans tend to believe that events of the past were more predictable than they actually were.
- b. We examine the past with the benefit of hindsight but fail to recognize its impact on our thinking.
- c. Hindsight bias can meaningfully distort our memories.

18. Plan Continuation Bias

- a. Humans love plans.
- b. Even when the plan appears to be failing (or no longer an appropriate fit for a given situation), we have a tendency to want to continue.
- c. The dangers of a rigid "stick to the plan!" mentality are very real.

19. The Gambler's Fallacy

- a. Humans are naturally bad with probabilities.
- b. The Gambler's Fallacy says that we have a tendency to believe that past events alter future outcomes (when they clearly have no impact).
- c. Ever thought you were "due for a win" in roulette. You're falling prey.

20. Curse of Knowledge

- a. Experts (or generally, intelligent people) tend to make the flawed assumption that others have the same background and knowledge on a topic as they do.
- b. They are unable to teach or lead in an effective manner for those still coming up the learning curve.