# BOOK REVIEW

**DANIEL KAHNEMAN**

**Thinking, Fast and Slow**

Publica, Bucharest, 2012

Although he has won the Nobel Prize for Economy (for his works on the decision theory), Daniel Kahneman is, surprisingly, a psychologist. ***Thinking, Fast and Slow*** presents us ideas and theories regarding the way in which the mind works and how this thing affects us when making a decision. In his opinion, the human thinking is a dual process, duality presented from three different perspectives. First (as the title suggests it), there are highlighted the differences between the *fast and* the *slow thinking*. Then the distinction between *econs* (rational agents of the classical economic theory and of the importance of economic schools of Chicago) and *humans* (real people, which are not irrational but to whom the rational model does not fit) is argued. Finally, the author presents us the conflicts between *the remembering self* and *the experiencing self* in respect to the way in which these selves perceive the wellbeing.

The volume contains 38 chapters structured in five parts. At the end, there is a *Conclusions* section and there are attached two articles written by Kahneman together with his friend Amos Tversky which present the contributions that have been cited by the Nobel committee for justifying the award given in 2002 (Tversky died in 1996 and he could not be awarded the Nobel Prize, although he would have deserved it).

In **the first part**, the author describes the two systems that characterise our thinking processes. There is, first of all, a fast thinking system (System 1), which operates unconsciously, automatically, constantly, without the effort and without the sensation of voluntary control. This system gives meaning to the world we are living in by different processes such as the association or priming effect. It is a system that most of the times functions very well, offering correct models for familiar situations, correct short term predictions and fast reactions, and generally correct for various unexpected challenges. At the same time, however, System 1 has the tendency to commit systematic errors in certain circumstances. Then there is a slow thinking system (System 2), which is more analytical, using deductive reasoning, requires concentration and effort.

System 1 constantly provides System 2 suggestions under the form of impressions, intuitions or sensations. In case System 2 approves the suggestions, they are turned into opinions, and the impulses turn into voluntary actions. In this case, System 2 is hardly solicited. He is called to intervene especially when System 1 cannot respond to specific questions or when System 2 senses the imminence of an error. In other words, System 1 provides most of the System 2's thinking, but when the things get complicated, when more logical and detailed processing approaches are necessary, System 2 takes over and, generally, has the last word.

Kahneman presents different situations in which the answer is given either by System 1 or by System 2. For example, System 1 answers the question „2+2=?" while System 2 activates to answer the question „17×24=?".

In **the second and the third part**, the author identifies the main thinking mechanisms that make the two systems to reach wrong answers: *associations* (automatically we associate certain words with others or a new experience with a previous one), *anchors* (anchors are arbitrary reference point; people are willing to pay more for the same house if the listing price is higher), *cognitive ease* (we tend not to solve the correct problem but the easy one) as well as different *biases* and *illusions*. The way in which our minds are often fooled by the different processing methods that we use and why the excessive self-esteem appears are described.

**The forth part** is made up of a series of chapters that describe the way in which people make decisions involving money and risk. In most of the examples presented there is a financially optimum alternative but many people will fail to identify it because of *how the problem is put* and other *extern factors*. Among them: *the marginal utility* (10,000 lei is not the same for the poor as for the millionaire), *prospect theory* (prejudice against loss; when they are offered to participate in a game such as "head – you win $ 100, tails – you lose $ 150", most people refuse), the endowment effect (we would not be willing to pay the same amount we would ask if we wanted to sell the same good already in our posse-ssion), *adverse events* (the golf players hit most often when at stake is the loss of a point then if they could win that point), *rare events* (our minds are not structured to assess the probability of rare events appearance and tend to overestimate the visible ones; most of the interviewed subjects considered that tornadoes kill more people annually than asthma, although the ratio is reversed in a large proportion), *keeping score* (when the past influences the present; often people refuse to sell at a loss be it shares, houses or other goods), reversals (when we let a small negative element influence the opinion of a generally positive overall) etc.

In **the fifth part**, the author discusses the way in which our memory can be at a certain moment in conflict with the experience. For example, the persons who have suffered two painful experiences, first lasting 1 minute and having a high intensity and a second one of 1 minute with a high intensity followed by 30 seconds with a lower intensity, when they were asked to choose which experience they would prefer to repeat, have chosen mainly the second one because they remembered the improvement of the situation towards the end. This conclusion has important implications in the medical field.

In the **Conclusions** section, there are presented also some political and economic policies considerations. The author believes that there is evidence that the vast majority of people are unable or unwilling to exercise rational thinking needed to make decisions. At the same time, most people are easy to manipulate in the choices they make and the rational elite of the society engages in these manipulations in order to maximize its profit (as indeed expected in free market capitalism) and in this respect it is actively encouraged the idea deeply rooted that people's freedom, including people's freedom to make bad decisions, should be protected. Kahneman disagrees with this and proposes as an alternative a *libertarian paternalism.*

The most valuable parts of the book are those that explain how the natural tendencies of the mind can lead to wrong decisions made both by individuals and businesses and offers several ways by which faulty thinking can be reduced (even if it is clear for the author that this cannot really be eliminated). Therefore, I would recommend this book to anyone interested in a more accurate way of thinking, but especially those interested in psychology, economics, management and marketing.

**Cristian UȚĂ**

16.09.2013

Redactor: Mihaela N. ŞTEFAN
Tehnoredactor: Camelia BĂRBAT
Coperta: Magdalena ILIE

---

Bun de tipar: 26.09.2013; Coli tipar: 6,25
Format: 16/70x100

---

Editura Fundației *România de Mâine*
Str. Fabricii nr. 46 G, Bucureşti, Sector 6
Tel./Fax.: 021/444.20.91; www.spiruharet.ro
e-mail: editurafrm@spiruharet.ro