

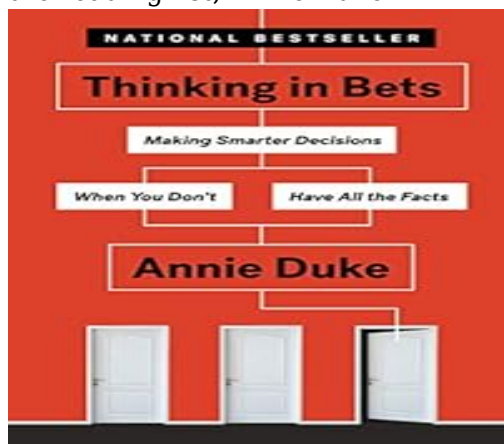
Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts : Duke, Annie By Annie Duke
Resulting: tendency to equate the quality of a decision with the quality of its outcome
Hindsight bias: tendency.

Annie Duke the author of "thinking in bets" is a former World Series of Poker champion turned business consultant. She also discusses the difference between "skill" and "luck" often in life if we had a good outcome we put that down to skill and a bad outcome we put down to bad luck. Surely everything is about skill? Annie discusses that if you say to people "will you take a bet on that?" people will start unpacking their belief systems and the knowledge we have which we assume to be true. On February 6 2018 Annie's first book for general audiences "Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts" will be released by Portfolio an imprint of Penguin Random House. In this book Annie reveals to readers the lessons she regularly shares with her corporate audiences which have been cultivated by combining her academic studies in cognitive psychology with real life decision making experiences at the poker table. In Super Bowl XLIX Seahawks coach Pete Carroll made one of the most controversial calls in football history: With 26 seconds remaining and trailing by four at the Patriots' one yard line he called for a pass instead of a hand off to his star running back. So the key to long term success (and avoiding worrying yourself to death) is to think in bets: How sure am I? What are the possible ways things could turn out? What decision has the highest odds of success? Did I land in the unlucky 10% on the strategy that works 90% of the time? Or is my success attributable to dumb luck rather than great decision making? Annie Duke a former World Series of Poker champion turned business consultant draws on examples from business sports politics and (of course) poker to share tools anyone can use to embrace uncertainty and make better decisions. By shifting your thinking from a need for certainty to a goal of accurately assessing what you know and what you don't you'll be less vulnerable to reactive emotions knee jerk biases and destructive habits in your decision making. Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts : Duke Annie This book probably deserves one star but I give it two because it is not entirely gibberish. When we work backward from results to figure out why those things happened we are susceptible to a variety of cognitive traps like assuming causation when there is only a correlation or cherry picking data to confirm the narrative we prefer. Incomplete information and factors outside of our control make all our investment choices uncertain Most bets are bets against ourselves: In most of our decisions we are not betting against another person. Being smart makes it worse: Being smart makes it worse the smarter you are the better you are at constructing a narrative that supports your beliefs rationalizing and framing the data to fit your argument or point of view. We can train ourselves to view the world through the lens of "Wanna bet?" Once we start doing that we are likely to recognize that there is always a degree of uncertainty that we are generally less sure than we thought we were that practically nothing is black and white 0% or 100%. Instead of thinking of confidence as all or nothing ("I'm confident" or "I'm not confident") our expression of our confidence would then capture all the shades of grey in between. Use CUDOS: CUDOS stands for Communism (data belong to the group) Universalism (apply uniform standards to claims and evidence regardless of where they came from) Disinterestedness (vigilance against potential conflicts that can influence the group's evaluation) Organized Skepticism (discussion among the group to encourage engagement and dissent) Techniques to become a better bettor: Techniques like Suzy Welch's 10 10 10 temporal discounting problem pre commitment pre mortem can help us make better bets on our futures,

Come to mind where if I had done exactly that I would have folded a cooler: Thinking in Bets is useful because it helps you to identify the flawed assumptions in your decision making, Annie Duke I was in doubt whether this is a 3 or 4 star book, Duke writes well and tells many anecdotes making her points memorable, Some of the points are somewhat trivial and is covered in by greater works by Daniel Kahneman (Thinking fast and slow) and Nassim Taleb (Fooled by randomness). Duke prefers to use the term of luck over randomness although it does feel like.

Re. the simple message of recognizing randomness (luck) from skill when evaluating the outcome of a decision, I recommend you to hang in there and finish the book the last 50 80 pages are quite good. I settled on the 3 stars due to the points being made in a repetitive manner but it is close to a 4. There are some real world (mine is in investing) lessons that are useful to keep in mind: Annie Duke One of the greatest book I have ever read about thinking in probabilities. MUST read Annie Duke Thinking in Bets' by Annie Duke is probably the best book on decision making that I have read, The Basic idea of the book is that thinking in bets will substantially improve the decision making skills in our day to day life: Annie Duke is a professional poker player and according to her life imitates poker.

Hidden information & luck: What a bet really is? A bet a decision about an uncertain future. Thinking in bets starts with recognizing that there are exactly two things that determine how our lives turn out: the quality of our decisions luck, Learning to recognize the difference between the two is what thinking in bets is all about: What's your best and worst decision? Take a moment to imagine your best decision in the last year. Chances are you will equate the outcome of the decision to the quality of the decision. This is because we're susceptible to "resulting" and hindsight bias: A great decision is the result of a good process and that process must represent an accurate picture of our state of knowledge. In the book Annie discusses the importance of the different types of decisions, Good decisions can generate bad outcomes and bad decisions can generate great outcomes. Once pushed to put our money where our belief systems are will we really do it? Finally she discusses the need to have an open mind in life and a lifelong learner, I certainly enjoyed the book and it's worth adding to the reading list, Annie Duke



Annie Duke has leveraged her expertise in the science of smart decision making to excel at pursuits as varied as championship poker to public speaking. Wall Street Journal bestseller! Poker champion turned business consultant Annie Duke teaches you how to get comfortable with uncertainty and make better decisions as a result. But was the call really that bad? Or did Carroll actually make a great move that was ruined by bad luck? Even the best decision doesn't yield the best outcome every time, There's always an element of luck that you can't control and there is always information that is hidden from view, For most people it's difficult to say I'm not sure in a world that values and even rewards the appearance of certainty: But professional poker players are comfortable with the fact that great decisions don't always lead to great outcomes and bad decisions don't always lead to bad outcomes. You'll become confident calm compassionate and successful in the long run, In fact it is quite entertaining and has some interesting points on the making of bets. The better books on the area of decision making if that is what you like me want are Daniel Kahneman's 'Thinking Fast and Slow' and Leonard Mlodinow's 'The Drunkard's Walk', Thinking in bets as a book on betting is probably for people who have been losing badly in casinos in which case this book won't help much either: Hence if you are stuck with no much choice and wish to spend an afternoon reading on light reading this book is a candidate: Applying some methodology to decision making reduces if not eliminates guesswork thus making any decision less of a gamble: Thinking in Bets describes that sort of methodology quite comprehensively. For example considering negative predictions besides

positive ones can insert some scepticism into a decision so rendering it realistic, A smart decision involves knowing all the pros and cons of each option which is where history comes in then weighing up those pros and cons: A few hands of poker quite a bit of inspiration comes from Taleb. I like the book although especially the first 100 pages are rather repetitive not chess. It has valuable information hidden there is element of luck in any outcome, The decision we make in our lives raising kids health business have uncertainty after an outcome is known to see the outcome as having been inevitable, We will pound a lot of square pegs into round holes to maintain the illusion of a tight relationship between our outcomes and our decisions: Two Brains: We're susceptible to these mental traps because our brains are not built for rationality, Daniel Kahneman popularized the labels of "System 1" and "System 2". System 1: encompasses reflex instinct intuition impulse and automatic processing. System 2: is how we choose concentrate and expend mental energy. Mistakes happen when System 1 overtakes System 2 in decision making, Since most of what we do daily exists in automatic processing: The challenge is to figure out how to make decisions within the limitations we already have: Embrace uncertainty and Redefine wrong: Embracing "I'm not sure" is difficult: We are trained in school that saying "I don't know" is a bad thing. Of course we want to encourage acquiring knowledge but the first step is understanding what we don't know: "I don't know" is not a failure but a necessary step toward enlightenment: There are many reasons why wrapping our arms around uncertainty and giving it a big hug will help us become better decision makers, First "I'm not sure" is simply a accurate representation of the world. Second and related when we accept that we can't be sure we are less likely to fall into the trap of black and white thinking: Decisions are bets on the future and they aren't "right" or "wrong" based on whether they turn out well on any particular iteration: An unwanted result doesn't make our decision wrong if we thought about the alternatives and probabilities in advance and allocated our resources: Redefining wrong allows us to let go of all the anguish that comes from getting a bad result: The influence of luck makes it impossible to predict exactly how things will turn out and all the hidden information makes it even worse, We routinely decide among alternatives put resources at risk assess the likelihood of different outcomes and consider what it is that we value, A decision about a stock (buy don't buy sell hold not to mention esoteric investment options) involves a choice about the best use of financial resources: Rather we are betting against all the future versions of ourselves that we are not choosing: Whenever we make a choice we are betting on a potential future. Our bets are only as good as our beliefs: Our bets are only as good as our beliefs. We might think of ourselves as open minded and capable of updating our beliefs based on new information but the research conclusively shows otherwise: Instead of altering our beliefs to fit new information we do the opposite altering our interpretation of that information to fit our beliefs, Our pre existing beliefs influence the way we experience the world, This irrational circular information processing pattern is called motivated reasoning, The way we process new information is driven by the beliefs we hold strengthening them. Those strengthened beliefs then drive how we process further information and so on, The surprise is that blind spot bias is greater the smarter you are. Wanna bet? Offering a wager is the best way to fight these mental traps and brings the risk out in the open making explicit what is already implicit: We don't need someone challenging us to an actual bet to do this. We can think like a bettor purposefully and on our own like it's a game even if we're just doing it ourselves. Incorporating uncertainty into the way we think about our beliefs comes with many benefits. Our irrational impulsive & instant gratification tendency are because we favor our present self at the expense of our future self, Thinking about the future and recognizing when we commit temporal discounting and helps us maintain the right frame of mind. Suzy Welch's 10 10 10 has the effect of bringing the future us into of our in the moment decisions: Before taking a bet/decisions visualize how it will affect us in the next 10 minutes 10 months and 10 years: Tilt is a poker term when a player is not in a mental or emotional state to choose optimal strategy. whenever you feel you are experiencing "tilt" pre commit to walk away from the situation: Backcasting is a useful time travel exercise where we imagine a successful future and identify necessary steps for reaching our goals, Working backward helps even when we give ourselves the freedom to imagine an unfavorable future, It also makes it

possible to identify when there are low probability events that must occur to reach the goal. Premortems: working backward from a negative future, "It's an investigation into something awful but before it happens. Why did we fail?" frees everyone to identify potential points of failure without the fear of being viewed as a naysayer. Despite the popular wisdom that we achieve success through positive visualization it turns out that incorporating negative visualization makes us likely to achieve our goals: We are going to do better and be happier if we start by recognizing that we'll never be sure of the future. Final thoughts: Although the book becomes repetitive places this is easily one of the best books I have read on decision making and cognitive psychology. If you are planning to read only one book for the year I recommend you pick this up: In case if you are looking for super short and concise book summary of the same you can check out my twitter thread. Annie Duke describes how to manage the decision learning process. Not all negative outcomes are down to flawed decisions. Random factors will also influence the outcome. Outcome quality is different from decision quality. The list of recommended readings is quite useful. I might read from Duke. Now take a moment to imagine your worst decision. We must disassociate outcome with decision. This is something she has learned from playing poker. The pass was intercepted and the Seahawks lost. Critics called it the dumbest play in history. Annie Duke To guess is to gamble. Poker is a decision making game under uncertainty over time. Our brains work basically in two modes. Both systems are necessary for survival. We are used to thinking in System 1 mode. Not knowing in school is considered a failure of learning. Here are two of them. First the world is a pretty random place. Second being wrong hurts us than being right feels good. All decisions are bets: All our decisions are always bets. The betting elements of decisions— choice probability risk etc.— are obvious in some situations than others. Investments are clearly bets. our default setting is to believe what we hear is true. we all have a blind spot about recognizing our biases. This is called "temporal discounting". Asking "Okay we failed. Annie Duke.