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THINKING FAST AND SLOW

Author: Daniel Kahneman, a Nobel laureate in economics

Review

Abstract: Why did I choose the presented book from the range of other books? Daniel Kahneman's ideas are not simple prose reading, even if they are written wise and deeply. They seem to be easy to read, but it is recommended to decode their meaning slowly, systematically and repeatedly. They conceptually help analyze and subsequently alter the way of thinking and reasoning about the Self in interesting everyday contexts, original work, ambient immediate world, and about one's own life and its context, effects and taking decisions on acting under precarious conditions and effects of outcome. The text provided me with the insight into fundamental questions about Self and its divergent incentives have offered me an inspiration how to approach the perception of certain issues in a different way. I believe that every attentive reader will find a lot of answers to current questions starting with trivial question of *Why?* in this book.

Keywords: Kahneman, thinking, perception, lifestyle, effectiveness, outcome.

Daniel Kahneman, 2012. Thinking fast and slow. Jan Melvil Publishing in Brno 2012, ISBN 978-80-87270-42-4

Daniel Kahneman - professor of psychology at Harvard University and professor of psychology at the University of Princeton has been ranked among the most important living social psychologist. He has mastered his gift to highlight the important specific features and characteristics of human thought, and his considerable knowledge and thought postulates have become a part of general education of socially oriented intellectuals and standard university textbooks. The results of his work have changed the understanding of social psychology, especially cognitively oriented scientific disciplines as well as contemporary modern behavioural economics. Thanks to the pioneering work with Amos Tversky, in 2002 he was awarded the Nobel Prize for economics in decision-making

processes. He has become one of the most original thinkers of modern science.

Author aptly named his book "*Thinking fast and slow*", while in the peculiar actions of heroes of the story there are spread processes and the functioning of the human mind on the basis of the latest findings of cognitive-oriented social science with an emphasis on decision making and participation in survival of the main actors: System 1 and System 2.

The book is divided into five parts, the first of which describes the primary elements of the approach to the formulation of judgment and its allocation based on fast and slow-thinking of subjects - the primary actors of the book. At the same time it describes and characterizes the differences between intuitive automatic operation of the System 1 (quick thinking) and controlled System 2 (slow thinking and monitoring of System 1). Author shapes his categorical apparatus, while the aim is to introduce the reader to the language used for reflection on human thinking and understanding (interiorizing) phenomena and processes. He highlights the significant differences among impressions and opinions (Müller-Lyer's illusion) when saying: "He has got an impression, but some impressions are an illusion" - "Now System 1 is saying: slow down and let System 2 to take control." - concludes the author.

The second chapter develops heuristic judgment and examines the question of why people think static in a so complicated way that nexus is comprehended intellectually more comfortable and more associative, metaphorical or causal. He points out that thinking statically means consider many things at the same time and in relations.

"He liked the project, so in his case, its costs are found to be low and benefits being high. That's a nice example of affective heuristics".

The third chapter is devoted to the mysterious limitations of human thought. While our over-confidence that true and real is everything, what we believe and what we already know. In doing so, we have an apparent inability to recognize the full extent of our non-knowledge and uncertainty of the surrounding world. Moreover, we tend to overestimate how well we understand the outside world and underestimate the role of chance in specific events. (Non- knowledgeable human action)

The fourth chapter of the book is a representative part of the discourse on behavioural economics dealing with the nature of decision-making processes (theory of choice) comprising two models of thought discussing several types of options that deviate from the rules of rationality. At the same time the problematic situation tends to be characterized isolated via framing effects (framing problematic situation with strict borders around the edge). It is a major challenge to assumptions about rationality included in standard economic theory.

The fifth chapter focuses on the latest findings of research works dealing with the distinction between the two "Selves" (experiencing Self and remembering Self). These two types of "Selves" do not have the same interest. Automatic memory formation (System 1) thus leaves the other memories of the same event by a System 2 (slow thought). The perception of specific events can be determined not only by the quantity of the measurable parameters, but also by the manner of experiencing, so that the same facts will be differently anticipated according to intentional experiencing of actors.

The final chapter examines the impacts and implications of the three differences dealt with in previous chapters among the experiencing self who remembers, the concept of actors in classical economics - behavioural economics, and automatic and intentional systems. The author draws conclusions based on examined comparisons on how organizations should perform to improve the quality of judgments in decision-making processes.

Making most responsible decisions has become essential for any entity – in terms of choosing the right option in crisis situations in the real world between the two interiorized Selves: experiencing Self surviving everyone's life and remembering Self - that subconsciously registers and records the results of the choice. In given intentions there arises the formulation of judgments under conditions of uncertainty: heuristics and distortion. The concept of the benefits and values is typically used in two different ways: The value of experiencing and value of decisions. By default, it is assumed that the value of survival and the decision coincide with each other. Some factors that affect survival cannot be easily foreseen, and other factors that influence the decision, in turn do not have comparable effects on the survival of the final effects of the acting. Moreover the present decision-making is complicated by difficult choices of widespread effects of the framing phenomenon. This issue of assessment and its context is necessary preconditioned by experiencing, moreover, the resulting effects of the decision are shaped by the quality and experiencing rate of actors.

The presented book is not a closed circle of thought. On the contrary, it becomes inspiring reading for further research of the issue enriching the latest knowledge of behavioural economics through the prism of conditions influencing managerial decisions under uncertainty.