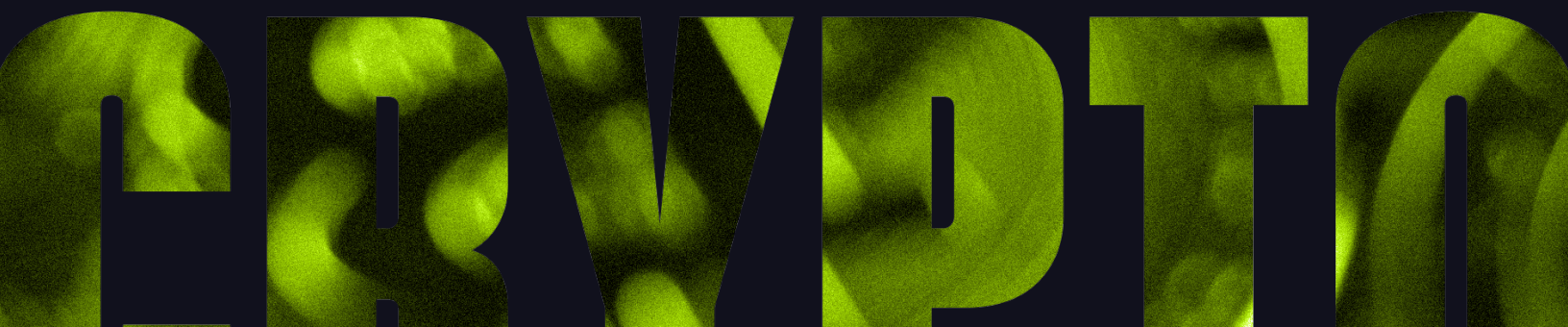
RV
CRYPTO ACADEMY

KNOWLEDGE DROPS

Daniel Kahneman on the Nature of Human Decision Making



Ep. 2: Daniel Kahneman on the Nature of Human Decision Making

We hope you enjoyed this classic Real Vision discussion with Daniel Kahneman. As you move through your financial learning journey in the Crypto Academy, think of these reports and all the other Academy extras as Cliff's Notes. These reports are not meant to replace any of the episodes — they're here to help make things easier.

These reports were populated by the AI-powered RV bot on the new Real Vision platform.

Enjoy.

Back in 2021, Nobel Prize-winning psychologist and economist Daniel Kahneman joined Real Vision for an eye-opening examination of human psychology and the forces that drive our decision-making, perception, and even happiness.

This interview is market agnostic, but no financial education journey would be complete without a holistic review of why we make decisions, where we have blind spots, and how we can improve. Here are the key knowledge drops:

1. **Human judgment is influenced by a variety of biases and mental shortcuts that can lead us toward poor decisions.** Kahneman doesn't believe in categorizing humans as "rational" or "irrational." He says that human decision-making is inherently imperfect, so totally consistent logic is impossible for us to achieve.

2. **In fact, being human means sometimes acting illogically.** As anyone who has invested in crypto will tell you, we're all going to make mistakes. So go ahead and give yourself some grace.

3. **Our beliefs and our feelings are largely context-dependent, and context often changes depending on our biases.** "Anchoring" is a bias that occurs when we're influenced by an initial piece of information, even if that information becomes irrelevant. As investors, anchoring can cause us to miss an important narrative shift or a macro tipping point that changes our risk profile.

4. **It's important to remain fluid and open to opposing viewpoints.** According to Kahneman, many people are not capable of changing their minds even when confronted with "disconfirming evidence." As investors, we must constantly reassess our theses and our sources in order to not become dogmatic.

5. **As humans, we believe in our convictions and expect everyone to see our reality.** But that's a false belief called "naive realism" that only shields us from the lapses in our own worldview. In other words, blind faith can be illogical, leading us astray before we even realize it.

6. **The key to sustained success (and happiness) is developing healthy "decision hygiene."** That's the process of maintaining good decision-making habits. It's easy to fall victim to the pursuit of momentary satisfaction, but that often leads to illogical decisions. If we focus on our long-term vision, we will develop a framework of sound decision-making that leads to sustainable satisfaction.