

The Guardian



Interview

Daniel Kahneman: 'What would I eliminate if I had a magic wand? Overconfidence'

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The psychologist and bestselling author of *Thinking, Fast and Slow* reveals his new research and talks about prejudice, fleeing the Nazis, and how to hold an effective meeting

Sat 18 Jul 2015 09.00 BST

Daniel Kahneman is the very definition of unassuming: a small, softly spoken man in his 80s, his face and manners mild, his demeanour that of a cautious observer rather than someone who calls the shots. We meet in a quiet spot off the lobby of a London hotel. Even then I have trouble catching every word; his accent hovers between French and Israeli and his delivery is quiet, imbued with a slightly strained patience, helpful but cautious.

And yet this is a man whose experimental findings have shifted our understanding of thought on its axis - someone described by Steven Pinker as "the world's most influential living psychologist". With his long-time collaborator Amos Tversky, who died in 1996, he delineated the biases that warp our judgment, from figuring out if we can trust a prospective babysitter to buying and selling shares. In 2002 he was awarded the Nobel prize in economics, a testament to the boundary-busting nature of his research.

His 2011 book, *Thinking, Fast and Slow*, a primer on a career's worth of psychological inquiry, won the US National Academy of Sciences book award, and the enthusiastic approval of his peers. It tells the story of "two systems" of thought, one automatic and intuitive, the realm of systematic biases, the other conscious and deliberative. It is a challenging work, clearly written but stuffed even so with difficult problems and counter-intuitive explanations. Despite that, it has sold millions of copies around the world. Nassim Nicholas Taleb, professor of risk engineering and author of *The Black Swan*, places it "in the same league as *The Wealth of Nations* by Adam Smith and *The Interpretation of Dreams* by Sigmund Freud".

What's fascinating is that Kahneman's work explicitly swims against the current of human thought. Not even he believes that the various flaws that bedevil decision-making can be successfully corrected. The most damaging of these is overconfidence: the kind of optimism that leads governments to believe that wars are quickly winnable and capital projects will come in on budget despite statistics predicting exactly the opposite. It is the bias he says he would most like to eliminate if he had a magic wand. But it "is built so deeply into the structure of the mind that you couldn't change it without changing many other things".

The same applies to our habit of predicting stereotypical outcomes at the expense of what's known about the world. When told of a student, Tom, who has a preference for neat and tidy systems and a penchant for sci-fi, most of us guess that he's studying computer sciences and not a humanities subject. This is despite the fact that the group studying the latter is far larger. "Think of it this way. A form of stereotyping is involved in understanding the world. So I have a stereotype of a table, I have a stereotype of chairs. Now when you start having stereotypes of social groups, it's the human mind at work. It's not a different mind. It's what you need to get around in the world." You can slow down and become aware of this, Kahneman believes, but the underlying mechanism isn't going to change.

That tendency to stereotype social groups has affected Kahneman's own life, in dramatic fashion. Born in Tel Aviv, to Lithuanian Jewish parents, he spent his early years in France. They lived there comfortably until the German invasion. His father, who worked for a company owned by L'Oreal, was arrested during an antisemitic roundup and taken to the internment camp at Drancy.

"I remember visiting," Kahneman tells me. "I was seven. You couldn't get in of course, but there were lots of people at the windows - men and lots of women and children. And there was a French policeman and I still have that image of him telling us that they're hungry in there, they're eating vegetable peelings." Thankfully, his father was so popular with his employers that after six weeks they arranged for him to return home, the occasion for another vivid memory. "My mother knew that her husband would be released and she and I - we were living in Neuilly, just outside the main part of Paris - went out shopping. We came back, and my father was there, wearing his best suit. He weighed 45 kilos. He was just skin and bones, but he hadn't eaten: he was waiting for us. There was considerable dignity in that."

As the occupation wore on the family was nevertheless forced to flee to Juan-les-Pins on the Côte d'Azur. But after the allies landed in north Africa the

Germans took over the south, initiating a “very dark period”. Kahneman began to pray for his life. “I knew that God was extremely busy, so I wasn’t going to demand too much. But I was asking for one day at a time. That’s what it felt like. It felt like being hunted. We had the mentality of rabbits.” Moving from one village to another, making their way to the centre of France, they ended up living in a converted chicken coop. It was there that Kahneman’s father, who was diabetic, suffered a stroke and died, just six weeks before D-day. Another image sticks in his mind. “It was very, very cold in winter, and I remember my mother in full mourning with a veil and with an axe in her hand, breaking wood.” Still, he denies that the experience was traumatic. “It’s nothing compared with other Jewish stories. I was never really hungry, I never saw real violence. There was a lot of resilience.”

Soon afterwards, his life changed completely. France was liberated, and then, in 1946, the family moved to Palestine. Kahneman had been an intellectual child and he thrived in his new home, ending up some years later with a bachelor’s degree in psychology, conducting personality tests for prospective army officers.

As an Israeli, there at the very birth of the nation, Kahneman has had a front-row seat in one of the most vivid theatres of human misunderstanding. His work has much to say about prejudice, the inability to fully recognise alternative points of view and our strong aversion to losses, which considerably outweighs the satisfaction we get from gains. Can he explain why, in this area, it’s been so hard to achieve a meeting of minds?

“I’m far on the left of the spectrum in Israeli politics and always have been,” he says. “I hated the notion of occupation since the very beginning. My first memories from after the 67 war are travelling with my children in the occupied territories. There were awnings over groceries stores with Hebrew lettering advertising Osem noodles. I couldn’t bear it. I thought that was dreadful because I remembered German lettering in France. I have very strong feelings about Israel as an occupier.”

Despite this, Kahneman has found it impossible to envisage a settlement that will satisfy both sides. “I don’t believe in the power of rational argument in this context,” he says, with an air of resignation. He mentions one occasion when he was visited at his university by a Palestinian academic after 67. They were getting on famously. But then “we tried to negotiate peace, and we failed, essentially on the right of return, which although obviously a legitimate demand among the Palestinians, means the destruction of Israel. So people who don’t want Israel destroyed cannot accept the right of return, even though they might understand that it has legitimacy behind it.”

In general, Kahneman is downbeat about the capacity of his brand of psychology to effect change in the world. I imagine he would simply argue he’s a realist about human nature. And, indeed, studies showing that “skilled” analysts are hopeless at predicting the price of shares have yet to translate into mass sackings or even reduced bonuses on Wall Street or in the City. The same goes for evidence that the influence of a high-quality CEO on the performance of a company is barely greater than chance.

But there are more modest ways his insights can help us avoid making mistakes. He advises, for example, that meetings start with participants writing down their ideas about the issue at hand before anyone speaks. That way, the halo effect - whereby the concerns raised first and most assertively dominate the discussion - can be mitigated, and a range of views considered. Then there is the concept of adversarial collaboration, an attempt to do away with pointless academic feuding. Though he doesn't like to think in terms of leaving a legacy, it's one thing he says he hopes to be remembered for. In the early 2000s Kahneman sought out a leading opponent of his view that so-called expert judgments were frequently flawed. Gary Klein's research focused on the ability of professionals such as firefighters to make intuitive but highly skilled judgments in difficult circumstances. "We spent five or six years trying to figure out the boundary, where he's right, where I am right. And that was a very satisfying experience. We wrote a paper entitled 'A Failure to Disagree'".

Kahneman's finely tuned ability to detect the biases in the thinking of others hasn't, of course, released him from the cage of his own nature. He is a pessimist, "a worrier", "not a jolly person". But, despite this, he says, "I'm quite capable of great enjoyment, and I've had a great life." His friendships - notably with Tversky, his academic soulmate, and behavioural economist Richard Thaler, have been long and fruitful. He has been married since 1978 to the perceptual psychologist Anne Treisman, and has two children. When I ask about them, he explains, matter of factly, that his son is schizophrenic. "He would have been a very brilliant economist." His daughter is now "successful in hi-tech".

Despite his sadness over his son, and all the other inevitable trials of life, it's possible to regard Kahneman as a living, breathing counterargument to his theory of pervasive overconfidence. Who, after all, would have looked at the Jewish boy in the chicken coop in occupied France and predicted his survival, let alone his many accomplishments? Or the transition from respected academic to intellectual superstar? Yet popular recognition, which has come late in his career, was never his primary aim. "I had limited ambitions, I didn't aspire to great success. I was very hardworking, but I didn't expect to be a famous psychologist."

The next problem on his list is "noise", or random variability: the fact that different people in the same situation make very different judgments. Random error is a very different phenomenon from the systematic biases he's been studying for several decades. It's the kind of error you can't reliably predict. Noise, he says, applies to people approving loans, to underwriters, to radiologists. One worker might be more optimistic than another, say, and it becomes difficult to ensure uniformity. "Mood is noxious. Noise is costly to organisations, which are essentially factories for making decisions. If another underwriter had seen that case he would put a different premium on it ..." It's even worse, presumably, in the case of a radiologist examining a scan for signs of cancer. Kahneman is interested in looking at how to increase the consistency of operations - not the same, he explains, as controlling biases. It sounds like a new and fascinating chapter. And when he decides to write it, one thing is now certain - he can count on millions of readers.

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