

GUMPTIONWORK

How to be Less Wrong

A Checklist for Making Better Decisions

You can do this better online:

www.gumptionade.com/less-wrong-decisions

Increase your common sense by reviewing the following list:

1. Create a simple formula for making a big decision. What are the three to five key points? Assign a certain weight to each point, according to its importance. For example, when I choose a car, I put forty percent of the weight of my decision on mechanical reliability; forty percent on price; twenty percent on good mileage. You might have a different system for weighing what matters most to you. Make sure that your total adds up to one hundred percent.
2. Guard against motivated reasoning. Be less of a lawyer (starting with a conclusion — “I can afford that BMW” — and finding evidence to support it) and more of a scientist (following facts *to* a conclusion — “All told, the BMW will cost me nine hundred and seventy dollars a month to own and operate. Can I afford that?”).
3. Stop and consider why your thinking may be wrong. One way to do this is to hold a pre-mortem: “If this turns out badly, what would be the three most likely reasons why?”
 - a. _____
 - b. _____
 - c. _____

GUMPTIONWORK

4. Answer this: “If someone else were in this situation, how would I advise them?”

5. Stop and ask yourself:

- a. Am I pursuing sunk costs? (*Chasing lost money and/or time — loss aversion*)

Yes No

Please explain: _____

- b. Am I embracing too much risk to prevent a loss? (*Also loss aversion*)

Yes No

Please explain: _____

- c. Am I assuming a best case scenario for the results of my decision? (*Myopic forecasting*)

Yes No

- d. If yes, what is a more balanced forecast?

- e. Am I considering the impact of randomness and luck? (*The illusion of predictability*)

Yes No

6. If you want to get a usable poll reading, aggregate the ten most recent polls on the topic.