

Frameworks — *for* — THOUGHT

A Monthly Mulling Compendium
for Better Decisions



Tapan Desai

If this book was shared with you, it's your gateway to deeper insights.

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Twice a month, I share decision-making and thinking tools that elevate life and work. This book is a collection of the best insights that were shared in the newsletter between 2020 – 2024.

Thank you for your support.

Introduction

When I picked up reading as a hobby in 2015, my thought process was simple: all the successful people I knew read a lot, and maybe, I could be successful if I read.

What a fool. That was the dumbest thought that might have occurred in my tiny brain. Nevertheless, I started reading.

As I read, I stumbled upon two important ideas:

- Human perception is incredibly biased, and we take quite a few shortcuts when thinking things through. These shortcuts, or blind spots, lead us to bad decisions. So, if we are aware of these shortcuts, it might help us think better. This knowledge came from a book called "Thinking, Fast and Slow," written by the legendary Daniel Kahneman.
- Decision-making can be learned, and we can form a latticework of thinking tools from diverse fields. These are your mental models, which are a distillation of how something works. They help you look at the same problem through a different lens. I learned about mental models through another legend, Charlie Munger.

As of writing this introduction in March 2024, unfortunately, both of these legends have passed away. May they rest in peace, but their insights live on.

I collected these ideas for a few years and shared them with friends. Yes, I am the guy who discusses opportunity costs at dinner. And then came a turning point. In 2019, I started writing. I mean... I had written before, but I started writing seriously in 2019. Why? My tiny brain again realized that all the ideas I had read were written by someone successful.

Successful people don't just read; they write as well.

So, I launched my newsletter, Monthly Mulling, with the goal of sharing these insights with anyone who was curious. Fortunately, for me, curious people found the newsletter. And I found them!

At this point, there have been 75 issues of the newsletter.

This book is essentially a collection of the best frameworks that I have read about in the past decade and written about in my newsletter. They are my *frameworks for thought*.

This book is a great starting point for anyone looking to learn more about these mental blind spots that lead us to bad decisions and making better decisions using mental models.

And that's just what this book is—a starting point. I have only covered the tip of the iceberg. You will learn only the surface-level frameworks. To dive deeper, I urge you to... well, dive deeper.

You don't have to read this book in any order. You can jump around chapters and sections, or you can stop and read if you find an image interesting. Or maybe just read in the provided order. It is not important.

It might also be the case that you have read these ideas before. None of the insights are my original. I have collected them over the years through reading and content consumption.

However, what is important is that if you haven't subscribed to my newsletter yet, please [subscribe here](#). It supports and keeps me going.

I hope you find these frameworks as useful as I have.

Best,
Tapan

Spend each day trying to be a little wiser than you were when you woke up. Discharge your duties faithfully and well. Systematically you get ahead, but not necessarily in fast spurts. Nevertheless, you build discipline by preparing for fast spurts. Slug it out one inch at a time, day by day. At the end of the day – if you live long enough – most people get what they deserve.

Charlie Munger

Good decision-making comes down to two things: a) Knowing how to get what you want; b) Knowing what's worth wanting. The first point is about making effective decisions. The second is about making good ones. You might think they're the same, but they are not.

Shane Parrish

Table of Content

Mind Traps	7
<i>Dunning-Kruger Effect</i>	8
<i>Actor-Observer Bias</i>	9
<i>Sunk Cost Fallacy</i>	11
<i>Confirmation Bias</i>	13
<i>Opinion Shopping & Backfire Effect</i>	16
<i>Survivorship Bias</i>	18
<i>Authority Bias</i>	21
<i>Self-Serving Bias</i>	23
Decisive Edge	25
<i>Circle of Competence</i>	26
<i>Second Order Thinking</i>	30
<i>Opportunity Cost</i>	32
<i>Regret Minimization Framework</i>	34
<i>Will It Remain the Same?</i>	36
<i>Inversion</i>	37
<i>The Door Decision Framework</i>	39
<i>The Paradox of Choice</i>	41
<i>Peak-End Rule</i>	43
<i>Streetlight Effect</i>	46
<i>High Velocity, High Quality Decision Framework</i>	48
<i>The Ringi System</i>	49
<i>Socratic Method</i>	50
<i>Chesterton's Fence</i>	51
<i>The Duration Effect</i>	53
Driving Force	54
<i>Incentives & Outcome</i>	55
<i>The Pizza Principle</i>	57
<i>Social Proof</i>	58
<i>Matthew Effect</i>	61
<i>Mimetic Desire</i>	63
<i>Diderot Effect</i>	65
<i>Zeigarnik Effect</i>	67

<i>Cargo Cult Thinking</i>	68
<i>Scout vs. Soldier Mindset</i>	70
<i>Entity vs. Incremental Theorists</i>	71
<i>Being High Agency</i>	72
Creative Momentum	73
<i>Inner Scorecard</i>	74
<i>Focused vs. Diffuse Modes of Thinking</i>	75
<i>Two Day Rule</i>	77
<i>Chauffeur Knowledge vs. Real Knowledge</i>	78
<i>Stealing from Comfort</i>	79
<i>Hell Yeah or No</i>	80
<i>Good Enough is Fine</i>	81
<i>Where The Wild Things Are</i>	82
<i>Work Like a Lion</i>	83
<i>The Noah Rule</i>	84
<i>Picasso's Bull</i>	86
<i>Deep Fried Broccoli</i>	87
About the Author	88

1.

Mind Traps

Dunning-Kruger Effect

Have you ever met someone brimming with confidence over a subject they knew little about?

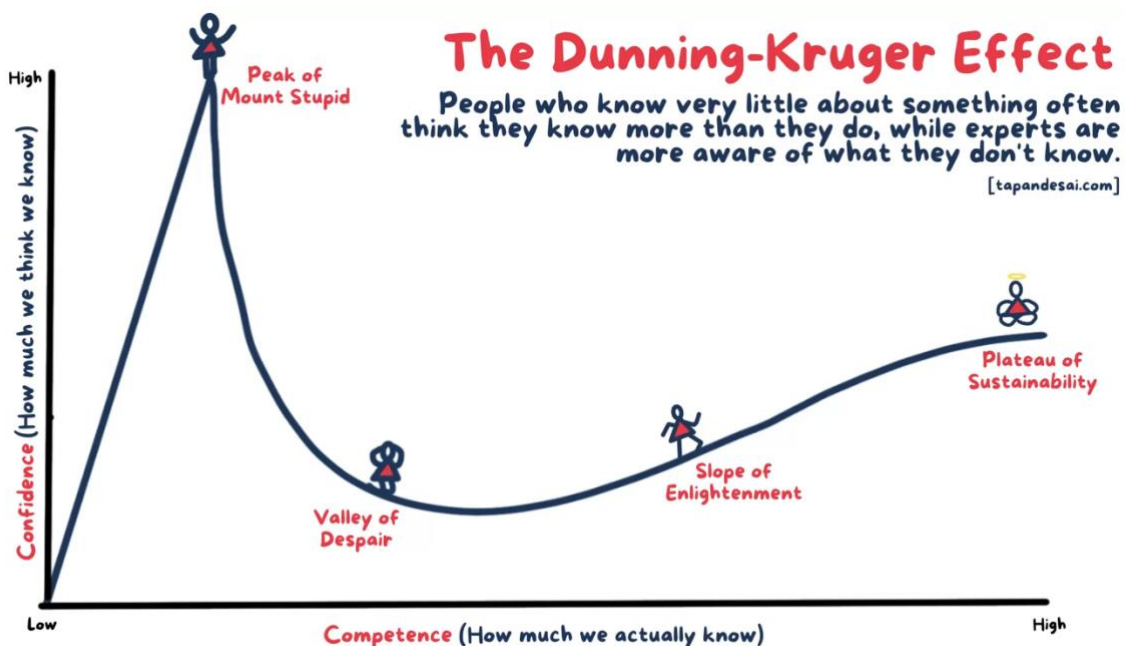
In 1999, psychologists David Dunning and Justin Kruger published research where they found that people with limited knowledge or skills in a particular area tend to overestimate their abilities, while experts often underestimate their competence. This is the Dunning-Kruger Effect.

To put it simply, the Dunning-Kruger Effect means that people who know very little about something often think they know more than they do, while experts are more aware of what they don't know.

Picture this: You're starting to learn a new language. At first, you're on cloud nine, stringing together a few phrases, ready to conquer the linguistic world—this is the "Peak of Mount Stupid."

Soon, reality hits. Welcome to the "Valley of Despair," where the true test of learning begins.

But fear not, for every valley has its rise. With perseverance, you emerge enlightened, the language becomes a friend, and you're conversing with ease—at last, the "Plateau of Sustainability."



Dunning and Kruger's research involved a series of experiments in which participants were asked to assess their abilities in different tasks such as logical reasoning, grammar, and humour. The results consistently showed that those who performed poorly in these tasks tended to overestimate their abilities, while high performers were more accurate or even modest in their self-assessments.

So, what do you do about this?

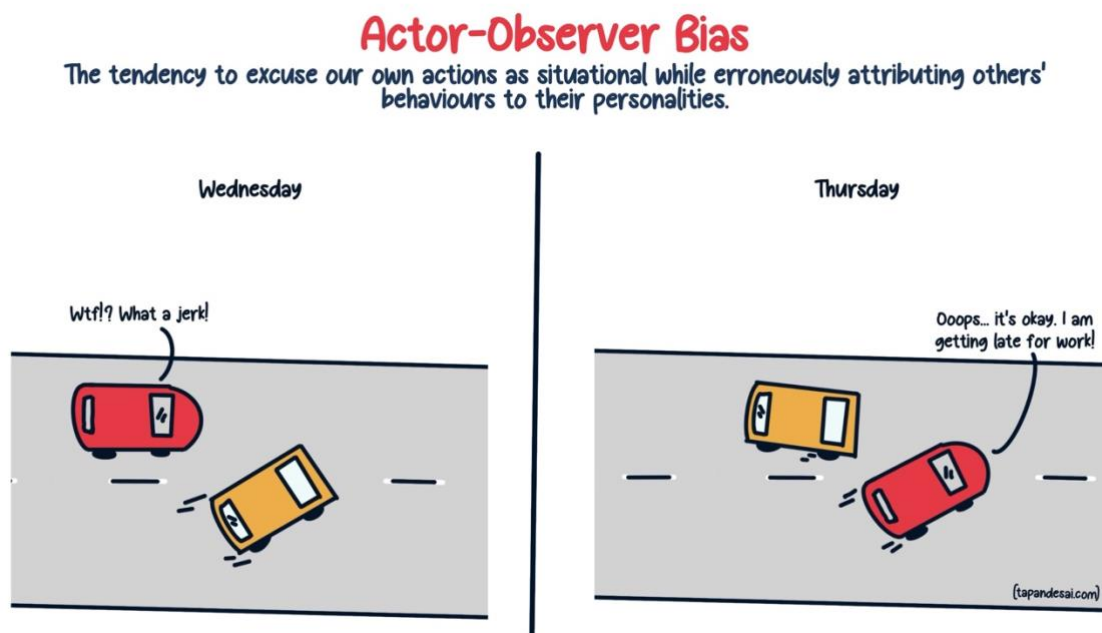
- Embrace critical thinking: Don't just absorb information—scrutinize it, dissect it, question it.
- Welcome feedback: It's the compass that points true north, providing clarity amid self-deceptive mists.
- Commit to lifelong learning: The landscape of knowledge is vast and ever-changing; navigate it with an open mind.
- Practice humility: Acknowledge the limits of your knowledge—it's a sign of intelligence, not weakness.

Actor-Observer Bias

As actors, we blame situations or external factors for our actions. As observers, we attribute others' actions to their character or personality.

The second piece, where we are wrongly blaming the personality of another person rather than the situation, is also called fundamental attribution error (FAE).

FAE is an extension of actor-observer bias.



In a nutshell, humans tend to:

- Pin others' actions on their personality flaws, rather quickly.
- Excuse their own slip-ups as situational mishaps because, obviously, we're complex beings with nuanced lives.

Why does this happen? Our brains prefer shortcuts. We're wired to conserve cognitive resources, making snap judgments that often bypass the slower, more taxing process of situational analysis.

When we see someone doing something, our brains do three things:

- We figure out what they're doing.
- We guess why they're doing it, thinking it shows their personality.
- Lastly, we apply a situational correction, assuming the contributing factors for the behaviour.

Our minds quickly jump through the first two steps but taking the third step needs more thought, so we often miss it, usually to save our cognitive resources.

In addition, confirmation bias amplifies the FAE by leading us to zero in on details that affirm our preconceptions about a person's character.

So, if we label someone as selfish, we tend to attribute their behaviour to their personality, disregarding their circumstances.

Essentially, we cherry-pick facts that align with our opinions and ignore those that don't, solidifying our initial assessment.

To step out of this bias bubble, we need a new playbook:

- **Wear their shoes:** Remember that what we see is just a tiny fraction of any other person's life and that we don't see the complete picture. Where appropriate, ask if anything is bothering others.
- **Reflect Before Reacting:** Take a moment to consider all the possible reasons behind someone's actions, not just their personality. Avoid jumping to conclusions.
- **Beware of [Self-Serving Bias](#):** Take care to not let pre-existing bias tint the objective reality playing out right in front of you.

You are at the casino watching a game of Blackjack when a player who has a hand of sixteen asks for another card. You quip to yourself "What an idiot! He should have held at 16."

But who's to say you wouldn't have done the same? After all, decision-making for the self is likely to depend on cues and processes that are not available when judging the choices of others.

Fernandez-Duque & Wifall

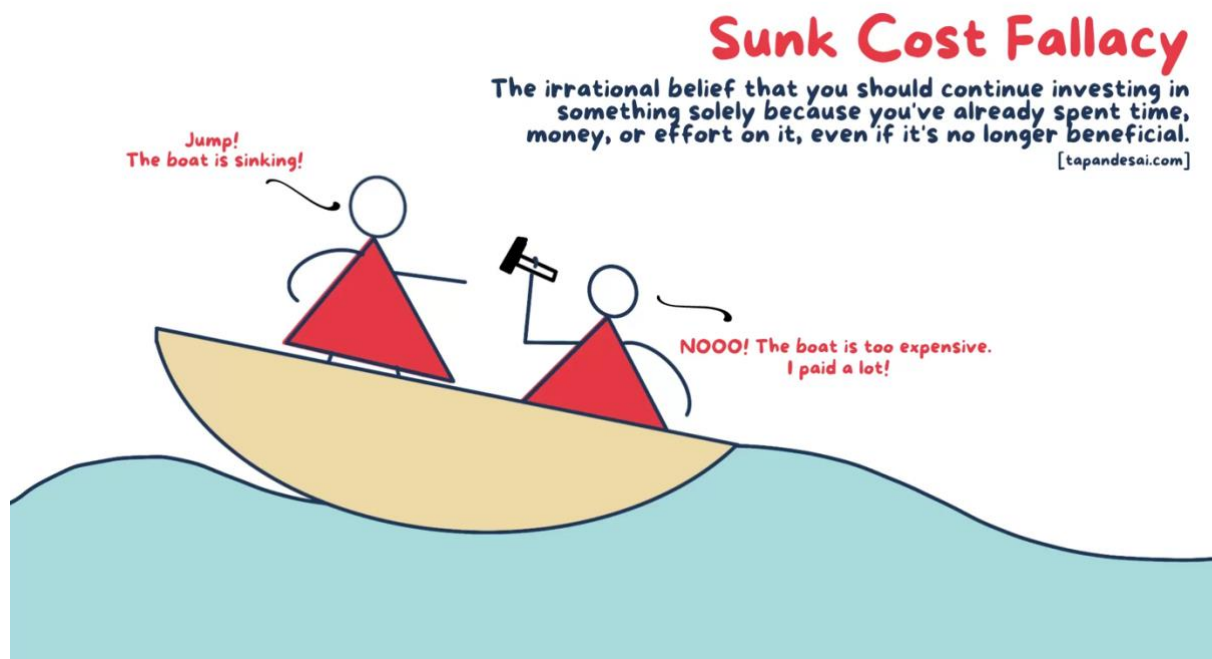
Sunk Cost Fallacy

It's game night and the dice aren't rolling in your favour. You're down a few rounds and your wallet's feeling lighter. The rational move? Walk away. But there's a voice inside you urging just one more round—this is the [sunk cost fallacy](#) at play.

This fallacy grips our decisions with the strength of emotional investment and loss aversion, convincing us to throw good money after bad, effort after futile effort, all because we can't bear to cut our losses.

It's the idea that we're more likely to continue investing time, money, or resources into something because we've already committed to it, even if it's no longer in our best interest to do so. This fallacy is a result of our deep-rooted aversion to loss and our emotional attachment to our investments, both tangible and intangible.

Simply put, the sunk cost fallacy is like continuing to fix an expensive boat with a leak that keeps sinking, even though the best thing for you to do would be to start swimming.



Here's the sunk cost fallacy in everyday scenarios:

- In relationships, it's staying the course despite seeing all the signs to exit.
- With investments, it's clinging to plummeting stocks because selling feels like admitting defeat.
- In business, it's pouring more into a failing venture, hoping to turn the tide.
- Career-wise, it's sticking to a path that dims your spirit, simply because of the time already spent on the journey.
- Personally, it's that gym membership card collecting dust, but you keep it "just in case."

To help combat the sunk cost fallacy, ask yourself the following questions:

- Would I still make this investment if it was decision time again?
- Am I trying to avoid admitting a mistake?
- What will I gain or lose going forward if I stick to this path?

Remember that a sunk cost is nothing but baggage and must be dropped if you realize it is not worth carrying.

The sunk-cost fallacy keeps people for too long in poor jobs, unhappy marriages, and unpromising research projects.

Daniel Kahneman

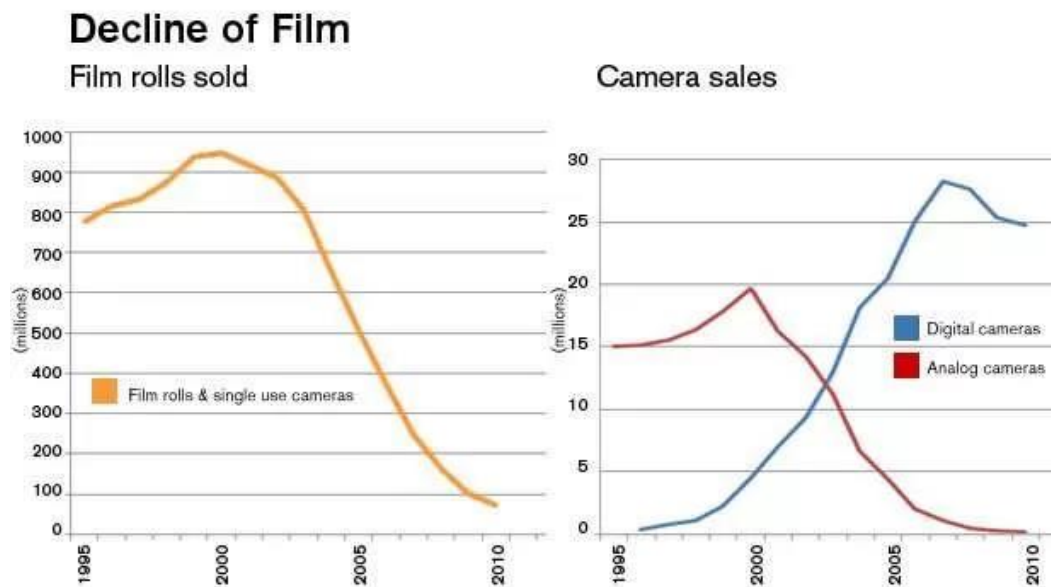
Confirmation Bias

Let's deep dive into what happened to Kodak to understand this shortcut.

Founded in 1888, Kodak was a household name, and its products adorned shelves worldwide. But the dawn of the digital age soon turned Kodak's world upside down.

Kodak's leadership, blinded by their undying devotion to film cameras, treated digital technology like a passing fad. The result? A series of blunders that left them in the dust:

- Firstly, they underinvested in digital technology, believing that their film business would continue to thrive indefinitely.
- Secondly, they delayed the launch of digital cameras, allowing competitors like Canon and Nikon to capture the emerging market.
- Finally, Kodak failed to recognize the growing importance of online photo sharing. Eventually, missing out on the opportunity to dominate this new space.



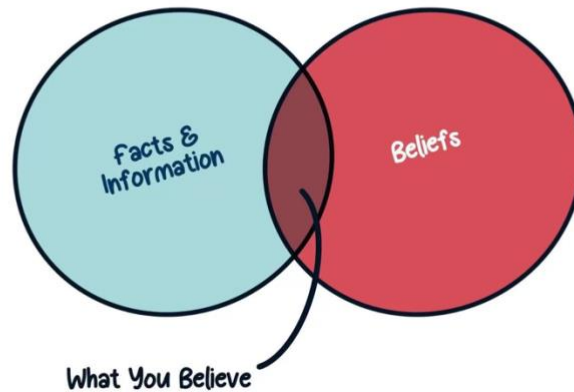
As the years went by, Kodak's market share dwindled, and the once-mighty empire began to crumble. The company's refusal to adapt to the changing landscape finally caught up with them, leading to its bankruptcy in 2012.

So, what blinded Kodak's leadership to the revolutionary changes happening in their own industry? The answer lies in the powerful cognitive trap known as [confirmation bias](#).

Confirmation Bias

The tendency to selectively favour information that supports our existing beliefs while ignoring or downplaying contradictory evidence.

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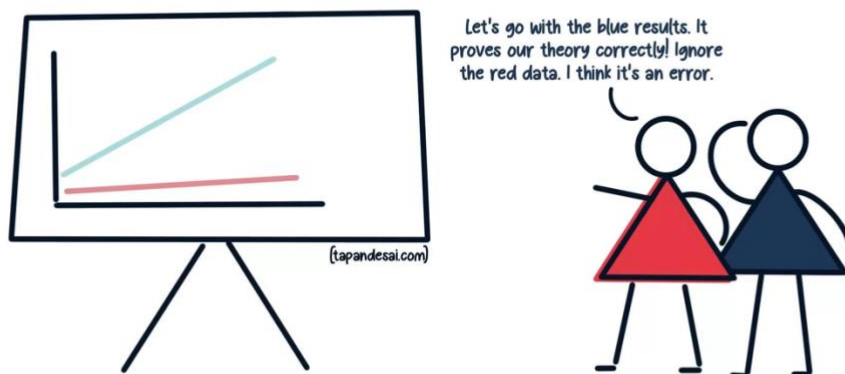
Confirmation bias is a psychological phenomenon where people unconsciously favour information that confirms their pre-existing beliefs or hypotheses.

Our brains seek consistency and avoid discomfort from conflicting beliefs, and values.

As a result, we tend to unconsciously cherry-pick information that aligns with our current views while discarding anything that challenges them.

Confirmation Bias

Our preference to accept information that confirms our beliefs and disregard contradictory evidence.



We all have seen confirmation bias in our lives:

- Choosing News Sources: We gravitate towards outlets, sites, or social media groups that echo our political beliefs, values, or opinions (read [deep fried broccoli](#)).
- Friendships and Social Circles: We surround ourselves with like-minded folks, which solidifies our beliefs and makes it tough for anyone to challenge them.
- Love & Relationships: Confirmation bias can have us clutching onto our partner's idealized image, even in the face of evidence that contradicts our perceptions. Talk about rose-coloured glasses!

- Social Media & Filter Bubbles: Algorithms keep us hooked by showing content that aligns with our preferences. This filter bubble intensifies confirmation bias, as we're fed a constant stream of belief-reinforcing info, entrenching our views even deeper.

So, what can you do about confirmation bias?

- Embrace Critical Thinking: Challenge your own beliefs by asking questions such as “Why am I wrong?” and “What’s the exact opposite of my belief and why does it make sense?”.
- Seek Diverse Perspectives: Deliberately search for competing ideas from a wide range of sources.
- Practice Active Listening: When engaging in conversations or debates, genuinely listen to the other person’s perspective. Avoid immediately trying to refute their arguments.

The first principle is that you must not fool yourself—and you are the easiest person to fool. So, you have to be very careful about that.

Richard Feynman

Opinion Shopping & Backfire Effect

In the digital age, 'Opinion Shopping' is like picking the ripest opinion that suits our taste from the vast orchard of information, regardless of its nutritional value.

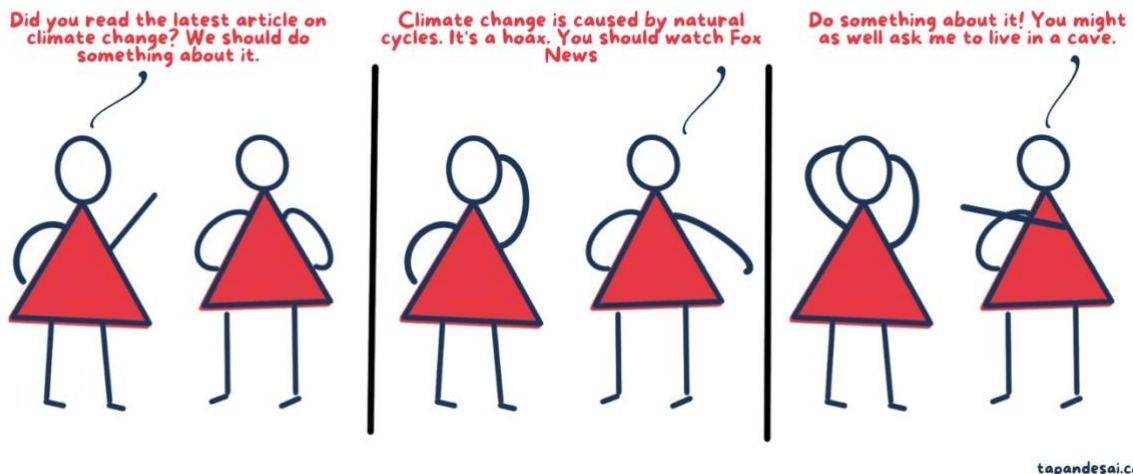
It's a conscious choice to echo our voice rather than challenge it.

The term Opinion Shopping comes from the auditing industry and is **the practice of searching for an outside auditor willing to provide a favourable view of a company's financial condition.**

Lenders and investors rely on independent views of a company's books and records when making decisions which means an auditor prepared to falsely declare that a company's financials are fairly presented could keep it in business. A company doing this is called to be "Opinion Shopping".

Opinion Shopping

Opinion shopping is the act of seeking information that confirms one's pre-existing beliefs while disregarding contradicting information.



While you might value getting everyone's opinion, that doesn't mean each opinion should be equally weighted or considered.

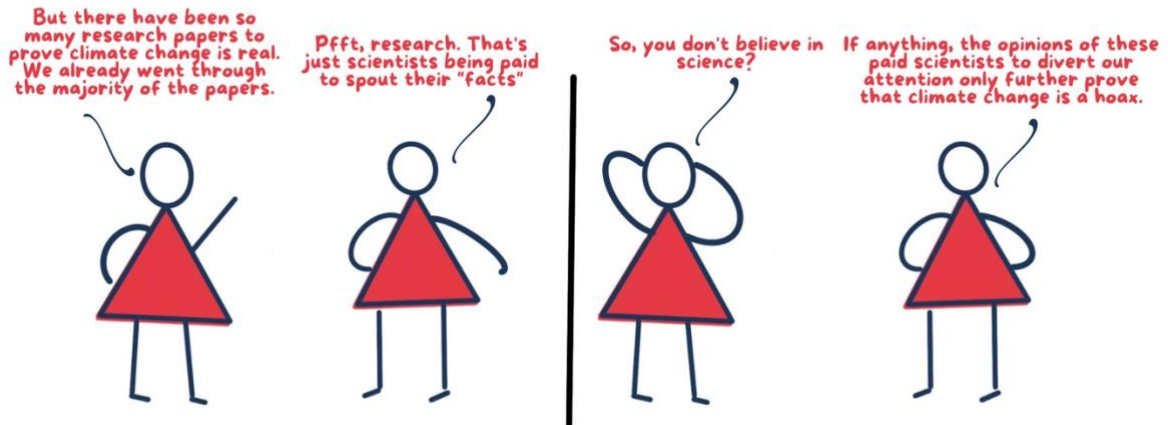
James Clear

But what happens when our hand-picked beliefs are challenged?

Enter the 'Backfire Effect.' ones with reinforced conviction. **It is maintaining a belief despite new information that firmly contradicts it.**

Backfire Effect

The backfire effect is when people's beliefs become stronger even after being presented with evidence that contradicts them.



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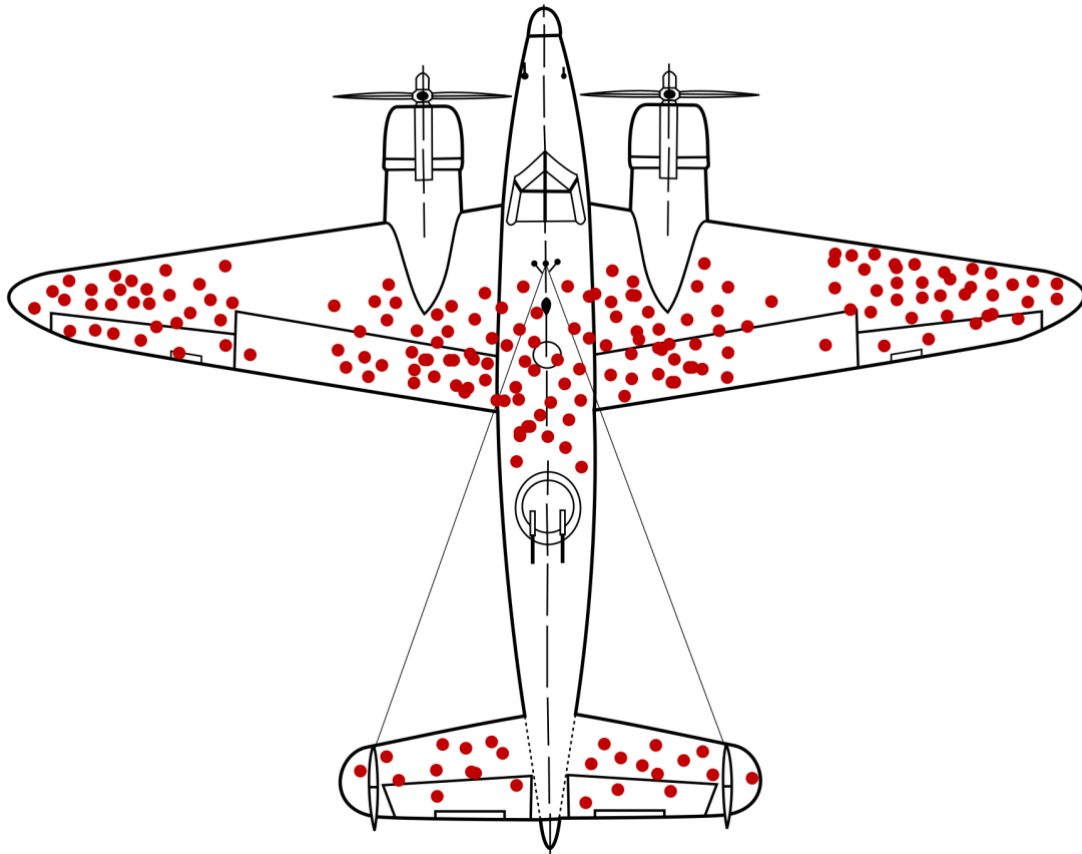
It's our brain's defensive stance—when core beliefs are threatened, we often fortify our mental fortress instead of opening the gates.

The Backfire Effect is a manifestation of confirmation bias. While confirmation bias involves paying attention only to information that supports our beliefs, the Backfire Effect describes becoming even more convinced of our beliefs when they are challenged.

Understanding these phenomena is more than intellectual curiosity—it's about preserving the integrity of our thought process in a world rich with information yet equally plagued with misinformation.

Survivorship Bias

You must have seen this image before. It's a WWII bomber plane below that returned to the base, with red dots marking bullet holes from enemy aircraft.



The Allied Forces wanted to add armour to the aircraft to better protect them, but faced a dilemma:

- Too much armour makes the plane heavier, reducing its flying range.
- Too little armour leaves the plane vulnerable to destruction.

Most researchers from the Center for Naval Analyses wanted to add armour where the plane showed the most damage (where the red dots are). But Abraham Wald, a Hungarian mathematician, had a different opinion.

He noted, "The study was only conducted on the aircraft that had survived and returned from their missions. It didn't paint a complete picture. It didn't show the bomber planes that had been shot down and did not return."

Makes sense? Bullet holes on returning planes show which areas can handle damage; areas without holes are (maybe) more critical and need protection to avoid crashes!

Survivorship bias happens when you only look at the people or things that have "survived" a specific experience or situation, without considering the ones that didn't make it.

Survivorship Bias

The tendency to focus only on the successful outcomes, ignoring the failures that offer valuable insights. [tapandesai.com]



Where else have you seen survivorship bias?

- Bill Gates, a college dropout, turned billionaire; so, dropping out of college must be a golden ticket, right? Not quite.
- Mr. X shed 15 kg by walking every evening; evening strolls must be the ultimate weight loss hack, right? But what else was Mr. X doing?
- Google Maps is flooded with negative restaurant reviews. But remember, only the extremely delightful or dreadful experiences usually make the cut!
- Airplanes seem like a perilous mode of transportation with all the crashes on the news. But do they ever feature all the successful landings?

We often cast the winners (or losers) as the norm instead of considering them outliers.

A stupid decision that works out well becomes a brilliant decision in hindsight.

Daniel Kahneman

So, what can you do about survivorship bias?

Survivorship bias happens when we only consider successful outcomes without accounting for failures.

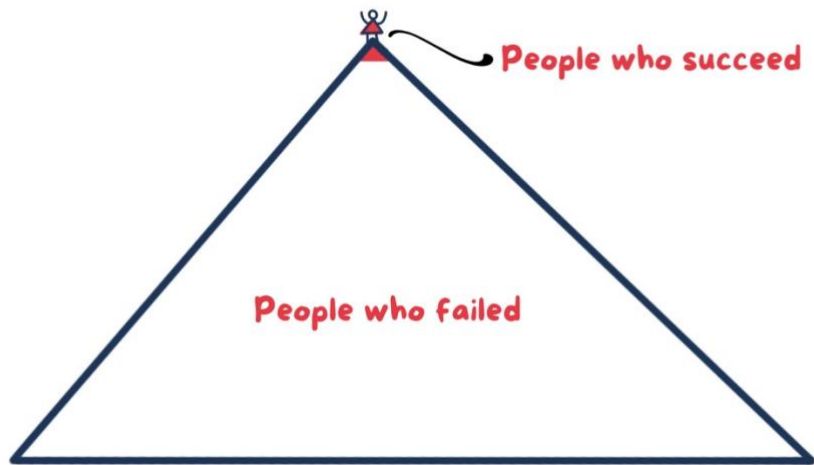
Recognize the potential for “hidden” or “silent” evidence: Don’t look just at what you can see. Consider all the things that started on the same path but didn’t make it.

Consider the counterfactuals: Ask, “What if this person or thing hadn’t survived?”. This can help to provide a more nuanced and complete understanding of the situation. Here’s my article on inversion which can help.

Survivorship Bias

The tendency to evaluate success while overlooking failures in a given situation.

[tapandesai.com]



Authority Bias

Authority bias is the tendency to overvalue the opinions or decisions of those in positions of power, often leading to unquestioning obedience.

We are most easily influenced by credible authorities, those we see as both knowledgeable and trustworthy.



We see authority bias a lot in our daily lives.

- Marketing & Endorsements: We often trust and buy products endorsed by our favourite celebrities or someone with authority.
- The Hierarchy at Work: In the workplace, employees tend to follow their manager's decisions, even if they disagree or have better ideas.
- News Sources: People tend to trust information coming from reputed news sources, even if the information may be biased or incomplete.

When you think of the long and gloomy history of man, you will find more hideous crimes have been committed in the name of obedience than have ever been committed in the name of rebellion.

Charles Percy Snow

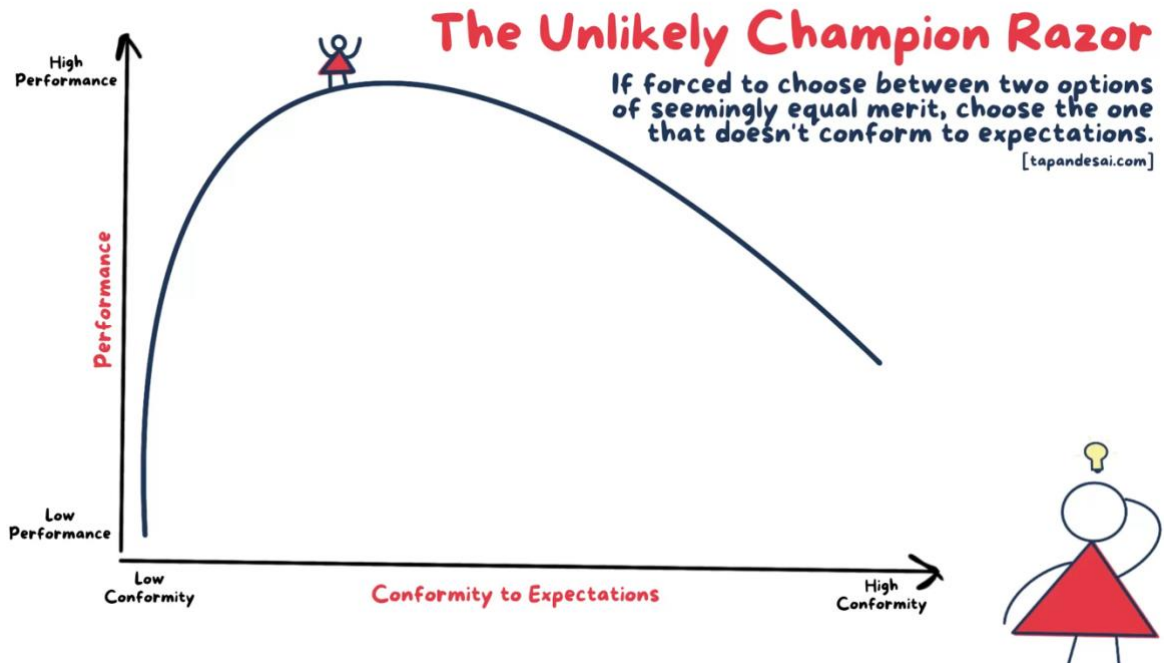
So, how can you use authority bias to your advantage? Introducing the “Unlikely Champions” Razor based on a thought experiment from Nassim Taleb:

Say you had the choice between two surgeons of similar rank in the same department in some hospital. The first is highly refined in appearance...The second one looks like a butcher...

Who will you choose?

The majority of people will choose a surgeon with a refined appearance. Why? Because authority bias has a strong effect. We are most easily influenced by those we see as both knowledgeable and trustworthy.

The “Unlikely Champion” Razor: If forced to choose between two options of seemingly equal merit, choose the one that doesn’t conform to expectations.



Why? The less conventional option has likely had to surmount greater obstacles to achieve its current status compared to the one that blends in seamlessly.

Now, there is no scientific research that this will always hold true. However, this framework will help you think through the various available options and cut through your “authority bias”.

The “Unlikely Champion” Razor encourages you to embrace the unconventional.

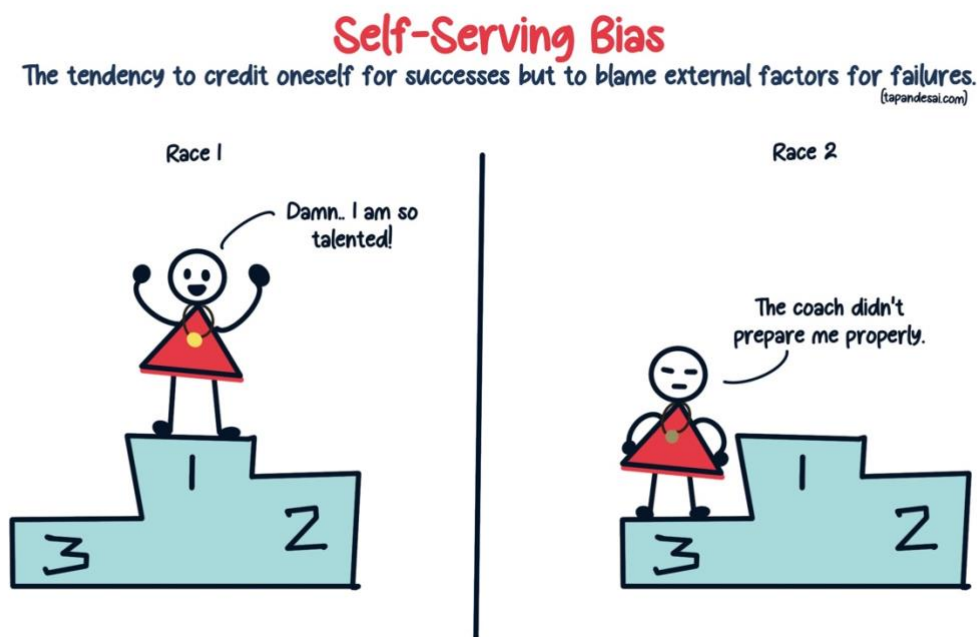
By doing so, you can make more informed decisions and potentially uncover hidden gems that would otherwise go unnoticed.

Self-Serving Bias

Imagine a scene on the cricket field: a player hits a spectacular century, basking in the glory of his achievement. He credits his rigorous training regimen, innate talent, unwavering dedication, vegan diet, and peak physical fitness as the pillars of his success.

Yet, in a twist of fate, he's out for a duck in the very next inning. Suddenly, the narrative shifts—the pitch was poor, the playing conditions were against him, and the umpire's decisions? Questionable at best.

This is a classic example of self-serving bias which is the belief that individuals tend to ascribe success to their abilities and efforts, but attribute failure to external factors.



When we fail, we blame external circumstances or bad luck. When others are successful, we tend to credit their success to luck and blame their failures on foolishness.

When our investments turned into losers, we had bad luck. When they turn into winners, we are geniuses.

An optimist is a person who sees a green light everywhere, while a pessimist sees only the red stoplight. The truly wise person is colourblind.

Dr. Albert Schweitzer

So, what causes self-serving bias? At the heart of this bias lies the concept of locus of control.

Those with an internal locus of control see themselves as the architects of their destiny, attributing successes to their efforts and accepting responsibility for failures.

On the flip side, individuals with an external locus of control view their fortunes and misfortunes as the whims of fate, often feeling powerless in the face of adversity.

And how do we steer clear of the self-serving bias? Understand your limits and what you don't know. Don't let your ego determine what you should do. Overconfidence can cause unreal expectations and make us more vulnerable to disappointment.

The wisdom in the old saying, "It's the strong swimmers who drown," serves as a poignant reminder.

When we fail, we blame external circumstances or bad luck. When others are successful, we tend to credit their success to luck and blame their failures on foolishness. When our investments turn into losers, we had bad luck. When they turn into winners, we are geniuses. This way we draw the wrong conclusions and don't learn from our mistakes. We also underestimate luck and randomness in outcomes.

Peter Bevelin

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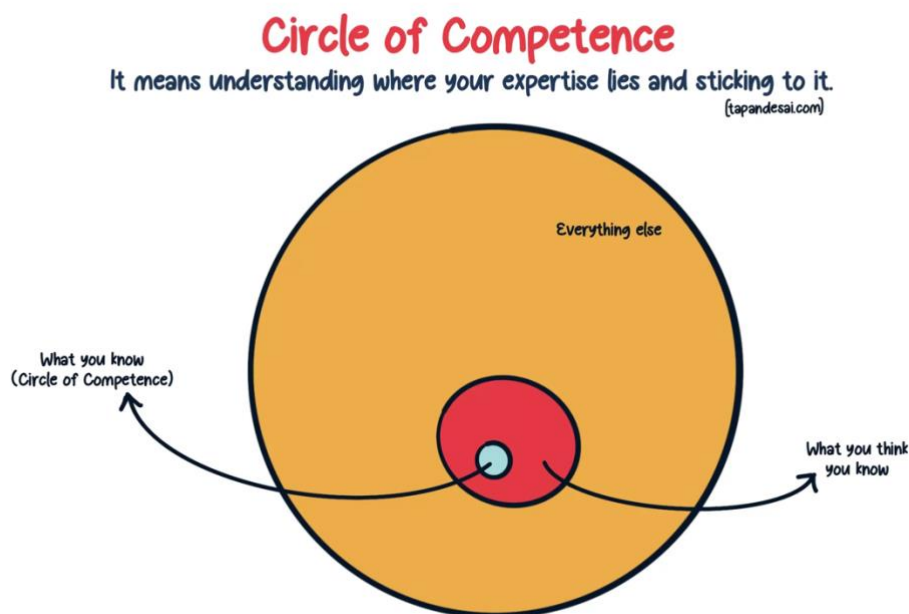
Decisive Edge

Circle of Competence

What is a Circle of Competence? It is a concept that identifies the range of subjects or skills where an individual truly excels. It's about distinguishing what you genuinely know from what you think you know, emphasizing the importance of recognizing your knowledge boundaries to guide effective decision-making.

Simply put, a Circle of Competence means understanding where your expertise lies and sticking to it.

Think of it as your superpower zone. It's where your expertise shines, and you can make decisions with your eyes closed. This isn't just about what you've studied or your job title. It's the sweet spot where your experience, study, and effort have brewed a perfect cup of 'I got this.'



Warren Buffett and Charlie Munger, the dynamic investment duo, were the masterminds behind the [Circle of Competence](#) concept, particularly in the investment arena. Their mantra? Stick to what you know like the back of your hand when it comes to investing.

In his 1996 Berkshire Hathaway letter, Buffett explained:

What an investor needs is the ability to correctly evaluate selected businesses. Note that word 'selected': You don't have to be an expert on every company or even many. You only have to be able to evaluate companies within your circle of competence.

It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so.

Josh Billings

The Three Zones of Circle of Competence

Imagine three individuals with different personalities: Charlie, Jack, and Julie.

Charlie, a seasoned financial analyst, stays within his 'What You Know' zone, making sound decisions based on his market expertise. He occasionally explores the 'What You Know You Don't Know' zone for knowledge but remains cautious in crucial decisions. He has unearthed wisdom on critical thinking from Richard Feynman's [Cargo Cult speech](#). Charlie is like your friend who orders flat white every day at the cafe, occasionally experimenting with a batch-brewed Costa Rican coffee.

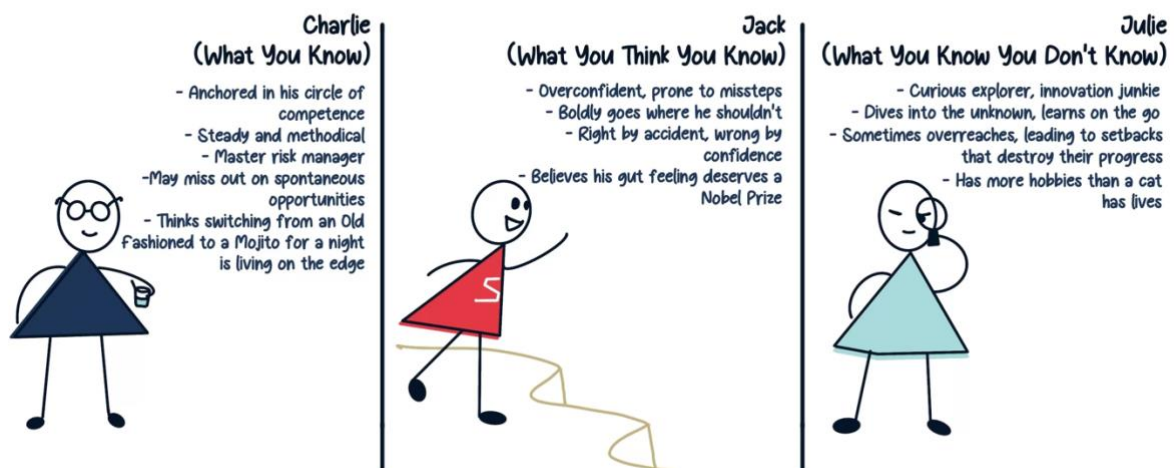
Jack, an overconfident marketing executive, often ventures into the 'What You Think You Know' zone, leading to several professional missteps due to his overestimation of his knowledge. He constantly faces the wrath of the [Dunning-Kruger Effect](#). Jack thinks he is a superhero but constantly forgets his cape.

Julie, a software developer, thrives in the 'What You Know You Don't Know' zone. She's aware of her competencies but eagerly explores new technologies, balancing risk with the potential for innovation. Julie doesn't care about [Chesterton's fence](#). She is a curious cat, experimenting with a new hobby every month.

Charlie, Jack, and Julie's strategies explain the importance of recognizing and operating within one's Circle of Competence. Charlie's success comes from his awareness of his strengths, Jack's challenges arise from his knowledge overestimation, and Julie's growth stems from her balanced approach to learning and [expanding her competence](#).

The Three Zones of Circle of Competence

(tapandesai.com)



Importance of Your Circle of Competence

The importance of recognizing your circle of competence cannot be overstated. It's about embracing your strong suits and having the wisdom to say, "Nope, that's not my jam." It's like knowing exactly when to play your best cards and when to fold.

Grasping the limits of your circle paves the way for calculated risks and savvy growth. It's like walking a tightrope with a safety net. On the flip side, venturing out too often is like wandering into a maze blindfolded, potentially stumbling into pitfalls and the headache of untangling less-than-stellar decisions.

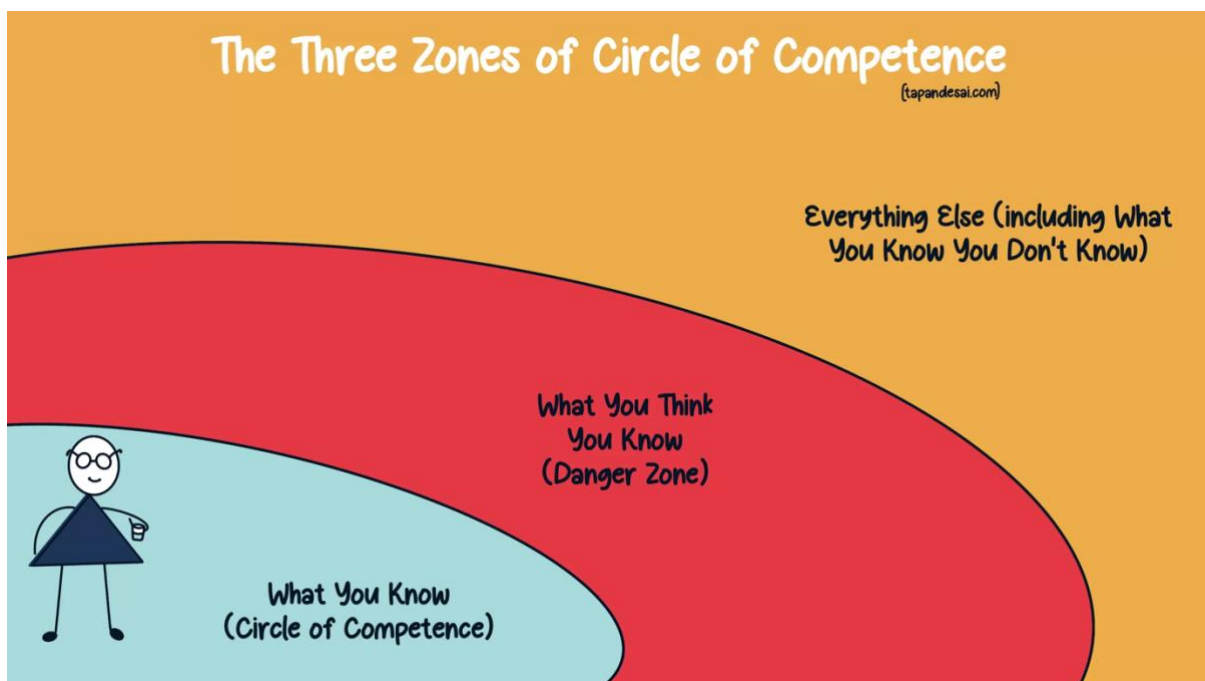
So you have to figure out what your own aptitudes are. If you play games where other people have the aptitudes and you don't, you're going to lose. And that's as close to certain as any prediction that you can make. You have to figure out where you've got an edge. And you've got to play within your own circle of competence.

Charlie Munger

For example, take a creator who's more behind-the-scenes than front-and-center. They can't just jump into emulating a YouTube star like MrBeast without first playing to their strengths, say in blogging, before easing into videos.

Similarly, a US investor without a clue about the tech or Chinese markets diving into stocks like Alibaba is like jumping into deep waters without knowing how to swim. And consider a litigation student aiming to switch to software engineering. Without the necessary training, it's a steep uphill climb, akin to tackling a complex new language without a basic guidebook.

So, should you step out of your Circle of Competence? If you're facing high stakes or keen on minimizing risk, it's important to be in your circle of competence and stick to the area of your expertise. But, when the risk is lower and there's room for creativity and innovation, venturing beyond your familiar turf can lead you to those clever, unconventional solutions.



Creating Your Circle of Competence

Identifying what falls into your 'In', 'Out', and 'Too Hard' boxes is the essence of creating your Circle of Competence. Here are the things you have to do:

1. Embrace brutal honesty about your strengths and weaknesses.
2. Dive into the Competence Venn: passions, talents, and profitable skills.
3. Sort these into 'What You Know' and 'What You Don't Know' zones.
4. Don't forget #1.

We have three boxes: 'In,' 'Out,' and 'Too hard.' You don't have to be a jack-of-all-trades. At the Olympics, if you ace the 100 meters, you're not expected to throw the shot put...

Charlie Munger

Second Order Thinking

As part of the Great Leap Forward, Mao Zedong's administration started the Four Pests campaign in China to improve public health and increase agricultural production.

The Four Pests Campaign ran between 1958-1962. The premise was simple: mosquitoes were responsible for malaria, rodents caused the plague, and flies were a nuisance. Finally, the tree sparrows ate grain seed and fruit. Eradicate them all!

The first three pests – mosquitoes, rodents, and flies – were targeted using traditional pest control methods, such as insecticides, rodenticides, and flypaper. However, the campaign against the fourth pest – sparrows – was more aggressive and controversial.

They organized people to destroy sparrow nests, break their eggs, and kill them with slingshots. They even went as far as hitting noisy pots to prevent sparrows from resting in their nests so they would die of exhaustion. As a result of these measures, the sparrow population was almost eradicated from China.

But you see the issue was that sparrows don't just eat grains, but they also feed on insects and locusts. The extermination of sparrows had upset the ecological balance, which subsequently resulted in surging locust and insect populations that destroyed crops due to a lack of a natural predator. The locust excess was able to swarm freely over the country, eating the majority of the agriculture intended for human consumption.

Instead of increasing, the crop yield plunged in China, which subsequently was one of the reasons for the Great Chinese Famine, which killed 15-50 million people. Here's the kicker – the Chinese government eventually resorted to importing 250,000 sparrows from the Soviet Union to replenish the population.

This is a great lesson in [second order thinking](#).

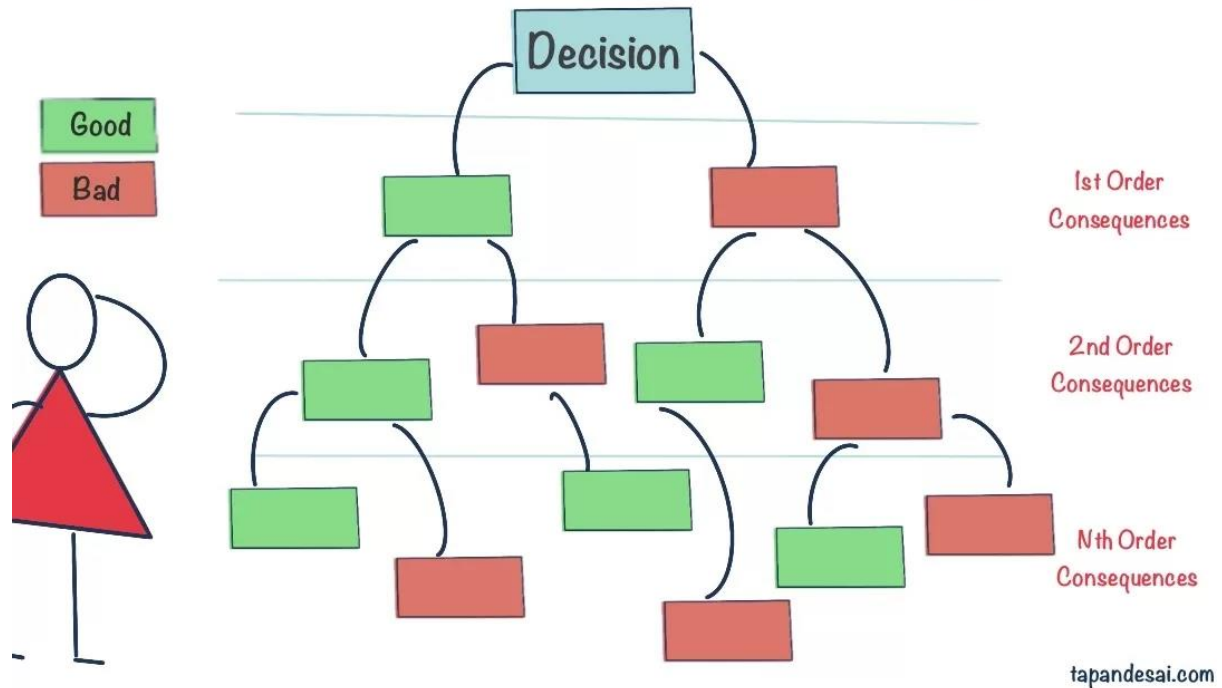
Second order thinking moves beyond the immediate problem and considers the multiple layers of implications and consequences of a given decision.

In short, it looks past the simple first-order effects of a decision and deeply examines the second, third, and Nth-order effects.

Failing to consider second- and third-order consequences is the cause of a lot of painfully bad decisions, and it is especially deadly when the first inferior option confirms your own biases. Never seize on the first available option, no matter how good it seems, before you've asked questions and explored.

An easy way to apply second-order thinking is by asking "and then what?". Always drill down deeper. Go down the rabbit hole.

Second Order Thinking



Going back to the Chinese Famine, imagine,

- A rock being thrown into a lake disturbing the calm – Mao's Four Pest Campaign.
- The initial splash is the first-order effect – sparrows eating fewer grains.

But it doesn't stop there.

- There are subsequent ripples created of second, third, and n-th order – increase in the population of locusts and insects, destruction of crop yield, and famine.

In summary, second-order thinking is the key to avoiding unintended consequences and unlocking long-term success. Don't just ask "what will happen?" but also "and then what?" and keep asking until you've considered the ripple effect. By doing so, you'll be better equipped to anticipate future challenges and capitalize on emerging opportunities.

Failing to consider second- and third-order consequences is the cause of a lot of painfully bad decisions, and it is especially deadly when the first inferior option confirms your own biases. Never seize on the first available option, no matter how good it seems, before you've asked questions and explored.

Ray Dalio

Opportunity Cost

The year was 1859, and the American Railroad industry was on the brink of its golden age, set to peak in the 1890s.

The western division of the Pennsylvania Railroad faced a calamity — a severe derailment that left train cars scattered across the tracks, effectively paralyzing the entire network. The cargo was a mess, blocking any passage through.

Enter the scene: a 24-year-old Scotsman, a relatively inexperienced superintendent of the western division. With his boss absent, he faced a colossal decision. The superintendent made a bold decision. He sent a note saying: “Burn the train cars!” This was highly unconventional as no railroad boss would order their cargo and freight cars to be burned.

So, why such a drastic step? Clearing the wreckage traditionally would be a lengthy and costly affair, leading to days of halted operations across the system. The superintendent, valuing the continuous flow of the network, opted for the immediate, albeit radical, resolution.

It was much more profitable to keep the network moving.

The aftermath? The train cars were set ablaze, the remnants quickly cleared, and just as predicted, the network resumed its smooth operations. The superintendent had gauged the opportunity cost and made the right call, a legendary decision.

What is the name of the superintendent who made this unconventional decision? Andrew Carnegie. Funnily, when Carnegie’s boss caught wind of this unconventional tactic, he was so impressed that it became the go-to strategy for handling similar emergencies.

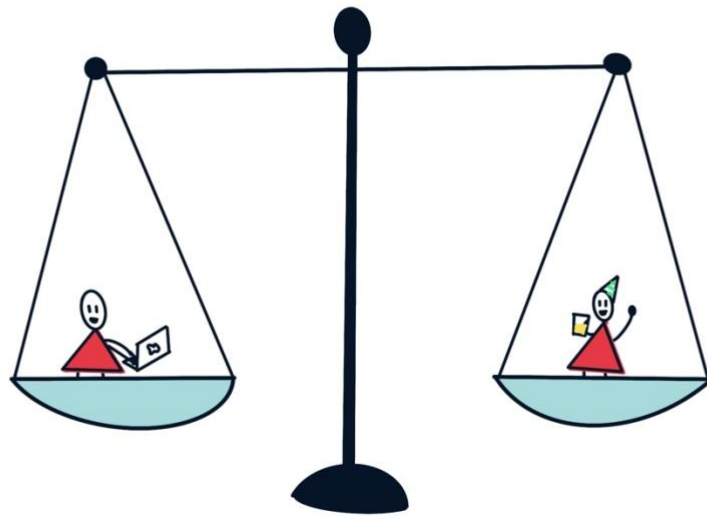
Every decision we make comes with its own set of invisible trade-offs, or opportunity costs. It’s the road not taken; the path left unexplored as we choose one direction over another. Always remember, there ain’t no such thing as a free lunch. Every choice carries its own cost, visible or not.

Our time and money are limited. Every minute we choose to spend on one thing is a minute unavailable to spend on other things. Every dollar we invest is a dollar unavailable for other available investments.

Opportunity Cost

The loss of potential gain from other alternatives when one alternative is chosen.

(tapandesai.com)



Where else do you see Opportunity Costs in real-life?

- Business Decisions: From deciding whether to launch a new product, invest in technology, or upgrade equipment, businesses constantly navigate these trade-offs, aiming to maximize their resources.
- Life's Dilemmas: Whether it's choosing between scrolling through TikTok or spending quality time with loved ones, opportunity costs remind us of the value and potential loss inherent in every decision.
- Investment Strategies: The investment world brings its dramatic flair to the concept of opportunity cost. Warren Buffett and Charlie Munger, the legendary duo of Berkshire Hathaway, often reflect on how missed opportunities have cost their shareholders "billions and billions."

So, how do we navigate this landscape of endless choices and hidden costs?

- The Road Not Taken: Always be aware of the alternatives you're passing up. What could those other paths offer?
- The Three Lens: View opportunity costs through these three lenses: (1) Compared with what? (2) And then what? (3) At the expense of what?

Take buying a car, for example. It's not just about the sticker price. It's about weighing that Mercedes against a Civic, considering not just the immediate cost but also the long-term implications—maintenance, insurance, the joy of driving one over the other, using second order thinking. And finally, it's about recognizing what else that money could have achieved, perhaps a step closer to owning a home.

Intelligent people make decisions based on opportunity costs.

Charlie Munger

Regret Minimization Framework

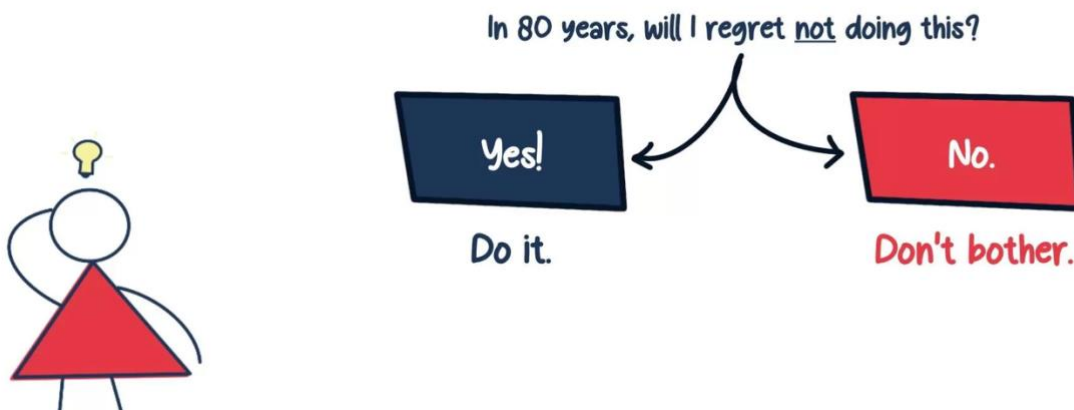
Jeff Bezos' Regret Minimization Framework is a strategic tool for making decisions by projecting oneself into the future to minimize the regrets of missed opportunities.

You ask yourself, “When I am 80 years old, will I regret NOT doing this?” It’s about choosing paths that align with long-term fulfilment over short-term comfort. It’s a great mental model for making long-term decisions.

- Will I regret not taking this job when I am 80?
- Will I regret not starting my YouTube channel when I am 80?
- Will I regret not marrying this woman when I am 80?
- Will I regret not closing this business when I am 80?
- Will I regret not going on the 10-day Euro trip when I am 80? And so on.

Regret Minimization Framework

Over a long term, risk of not trying and regretting is more than the risk of trying and failing. (tapandesai.com)



In the mid-90s, Jeff Bezos found himself contemplating a leap into the nascent world of e-commerce. With a lucrative career in finance at his back, Bezos envisioned an online bookstore, sort of a Sears catalogue for the digital age. The pivotal moment came during a reflective walk in Central Park with his boss, who, while recognizing the brilliance of Bezos' idea, saw it as a gamble better suited for someone without much to lose.

Bezos turned to what he later termed the Regret Minimization Framework, asking himself which option he would regret less at 80: not seizing the digital frontier or staying within the comfortable confines of Wall Street.

Choosing potential over security, Bezos embarked on a journey that would not only redefine retail but also etch his name into the annals of innovation.

When I'm eighty, I want to have minimized the number of regrets that I have in my life, and most of our regrets are acts of omission, things we didn't try, the path untraveled. Those are the things that haunt us.

Jeff Bezos

The Regret Minimization Framework, is a powerful tool for making decisions that you're less likely to regret in the long run. Here's how you can apply it to key areas of your life:

- **Career Decisions:** You're considering a job offer that's a significant leap from your current role, potentially in a new industry or a start-up. Ask yourself, "In 20 or 30 years, will I regret not taking this opportunity?" Consider the growth potential, the skills you'll acquire, and the possibility of wondering 'what if.' If the thought of missing out on this chance feels like a future regret, it might be worth embracing the challenge.
- **Educational Opportunities:** Now imagine, you're contemplating going back to school for further education, which requires a considerable investment of time and resources. Reflect on your future self, looking back at this decision point. Would you regret not pursuing further education that could open new professional doors and personal growth opportunities?
- **Personal Life Choices:** You're at a crossroads about making a significant life change, such as moving to a new city for personal growth or a relationship. Consider your life decades from now. Will you regret not making the move because of the experiences, relationships, and growth you might miss out on? The Regret Minimization Framework along with the [one-way and two-way doors decision-making framework](#) (again by Jeff Bezos) will help you make better choices when the decision is consequential and irreversible.

The goal is to minimize the number of regrets in life. So, when faced with a difficult decision:

- Project yourself forward into the future.
- Look back on the decision.
- Ask "Will I regret not doing this?"
- Act accordingly.

Will It Remain the Same?

This is one of the models used by Jeff Bezos. You can use this when you are creating your own long-term strategy in life or business.

It's simple - look for things that will remain the same.

Here's an excerpt from a Bezos interview explaining the framework,

“I very frequently get the question: 'What's going to change in the next 10 years?' And that is a very interesting question; it's a very common one.

I almost never get the question: 'What's not going to change in the next 10 years?' And I submit to you that that second question is actually the more important of the two—because you can build a business strategy around the things that are stable in time...”

In the retail business, Jeff Bezos knew that customers want low prices, and he knew that's going to be true 10 years from now. Customers want fast delivery; they want vast selection.

Jeff further continues, “It's impossible to imagine a future 10 years from now where a customer comes up and says, 'Jeff I love Amazon; I just wish the prices were a little higher,' or 'I love Amazon; I just wish you'd deliver a little more slowly.' Impossible.

And so the effort we put into those things, spinning those things up, we know the energy we put into it today will still be paying off dividends for our customers 10 years from now.

When you have something that you know is true, even over the long term, you can afford to put a lot of energy into it.

Inversion

Munger's favourite and most-talked-about model is inversion.

Munger says, if you just go around and identify all of the disasters and say, 'What caused that?' and try to avoid it, it turns out to be a very simple way to find opportunities and avoid troubles.

You get the idea, right? **Instead of asking how I can get XYZ. Ask yourself, what should I do to not get XYZ and then avoid those things.**

Inversion
The framework for solving problems by focusing on what you want to avoid rather than on what you want to achieve. (tapandesai.com)



It's counterintuitive that you go at the problem backwards, but it works. Camus has famously quoted, "I may have not been sure about what really did interest me, but I was absolutely sure about what didn't."

- Don't seek brilliance, avoid stupidity.
- Don't seek happiness, avoid things that make you unhappy.
- Don't seek the next multi-bagger, avoid investments that have the potential to lose all your money.
- Don't ask what's going to change in the next 10 years, ask [what's not going to change](#).

Buffett and Munger have used inversion to avert many predictable and unpredictable disasters. Writing to Berkshire's shareholders in 2009, Buffett discussed the art of inversion at length under the heading "What We Don't Do."

For example, "Charlie and I avoid businesses whose futures we can't evaluate, no matter how exciting their products may be," sticking instead "with businesses whose profit picture for decades to come seems reasonably predictable."

Buffett also joked that "this inversion approach works on a less lofty level: Sing a country song in reverse, and you will quickly recover your car, house and wife."

Munger's approach to solving problems backwards was influenced by Carl Gustav Jacobi, a nineteenth-century algebraist who famously said, "**Invert, always invert.**"

All I want to know is where I'm going to die, so I'll never go there.

Charlie Munger

Based on the above examples, the step-by-step process for using inversion:

- Pose a question.
- Ask the opposite question.
- Answer it.
- Do the opposite.

The Door Decision Framework

Have you ever found yourself in the “what’s for dinner?” conundrum, drowning in options yet starving for a decision? This framework can help you.

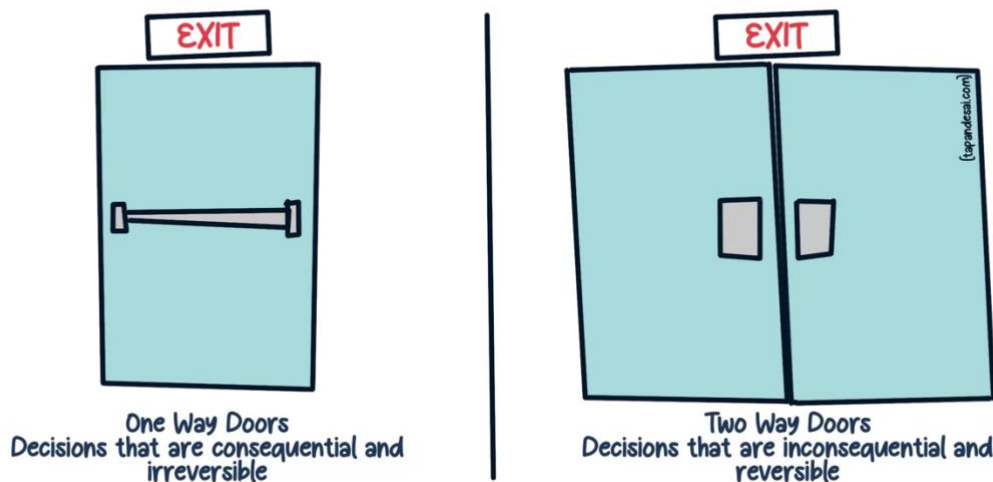
The one-way door and two-way door decision-making framework, made famous by Jeff Bezos, involves classifying decisions into two distinct categories:

One-Way Doors (Type 1 Decisions): Decisions that are consequential and irreversible, demanding careful thought.

Two-Way Doors (Type 2 Decisions): Everyday choices that are inconsequential and reversible, allowing for experimentation and change.

The One-Way vs. Two-Way Doors Decision Framework

This framework guides you to match your decision to its impact, recognizing that not all choices are equal and one-size-fits-all thinking slows you down.



The above classification helps us navigate decisions with clarity and make them rapidly.

Jeff Bezos in his [2015 annual shareholder letter](#) mentions:

- Not all decisions are created equal.
- One-size-fits-all thinking in decision-making slows you down.
- Mental bandwidth should be allocated based on the decision type.

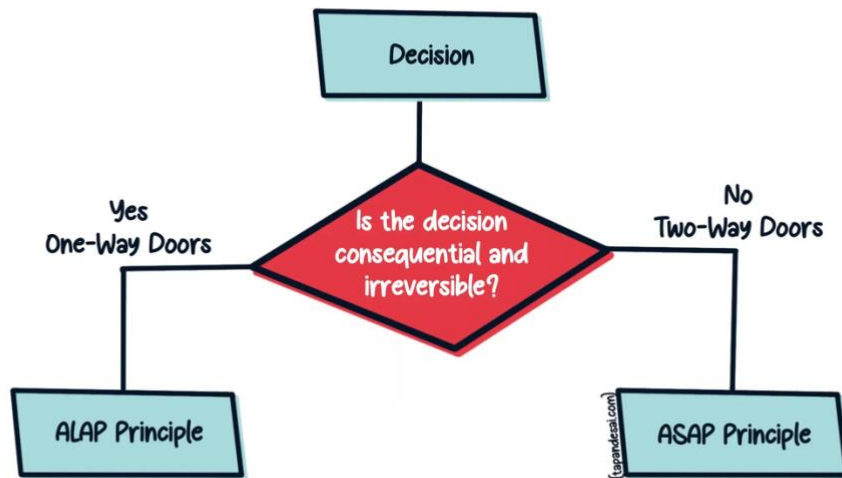
So, what can you do? The Door Decision Framework cuts through analysis paralysis and [the paradox of choice](#). If you know that a decision is reversible, the regret factor drops significantly.

Most of our life choices are actually two-way doors, but we often treat them like one-way doors.

You can backtrack the majority of your decisions.

Jeff Bezos points out that this is a common trap in large organizations where they use full-blown decision-making frameworks for a two-way door decision.

Art of Decision Making: Choosing A Door



Shane Parrish provides two principles in his book, *Clear Thinking*, that will support you in making a sound decision:

- **ASAP Principle:** If the cost to undo the decision is low, make it as soon as possible. For low-stake decisions (two-way doors), speed trumps deliberation. Once you have a good option, just choose, and move on! Engaging in any decision-making might be a waste of time, resources, and mental capacity.
- **ALAP Principle:** If the cost to undo a decision is high, make it as late as possible. For high-stake decisions (one-way doors), careful analysis is key. Gather all the information, weigh your options, and consider the long-term impacts using second order thinking.

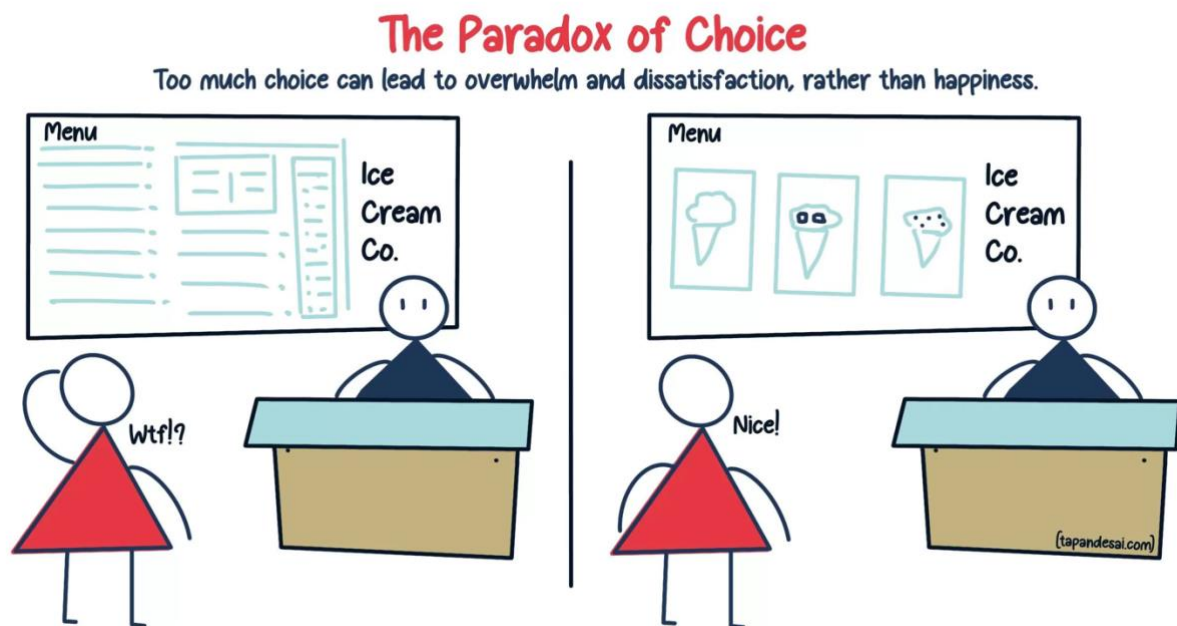
When the stakes are high, and there are no take-backs, you want to decide at the last moment possible, and keep as many options on the table as you can while continuing to gather information.

Shane Parrish

The Paradox of Choice

Ever found yourself swiping left and right on dating apps, only to feel more confused than ever? Or maybe you've been paralyzed by the endless cereal options at the supermarket? Welcome to [the Paradox of Choice](#), where more is often less. But why is having too many choices bad?

Contrary to popular belief, having a plethora of options doesn't make us happier or more satisfied. In fact, it often does the opposite.



So why does having more choices make us miserable? Here's the breakdown:

- Escalation of Expectations: With more options, we naturally expect to find the “perfect” one. Anything less feels like a let-down, even if it's objectively good.
- Opportunity Cost: Every choice has an opportunity cost. The more options we have, the more we feel like we're missing out on something potentially better (the “FOMO factor”).
- Regret and Anticipated Regret: The fear of making the “wrong” choice can be paralyzing. Sometimes, even the anticipation of regret can stop us in our tracks.

This leads to a trifecta of mental overload:

Choice Juggling: With so many options, picking one becomes a mental circus act. The fear of making a bad call can be overwhelming.

Brain Drain: Our mental bandwidth has its limits. Think of your brain like a smartphone. Too many apps (choices) open, and it starts to lag.

Decision Burnout: Ever notice how making choices get tougher as the day goes on? That's your brain getting tired, making each new decision feel like a mountain to climb.

It's important to know about decision-making traits in individuals when considering the Paradox of Choice. As per Barry Schwartz, there are two types of decision-makers:

Maximizers: The folks who won't settle for anything less than the best.

Satisficers: The people who are cool with "good enough."

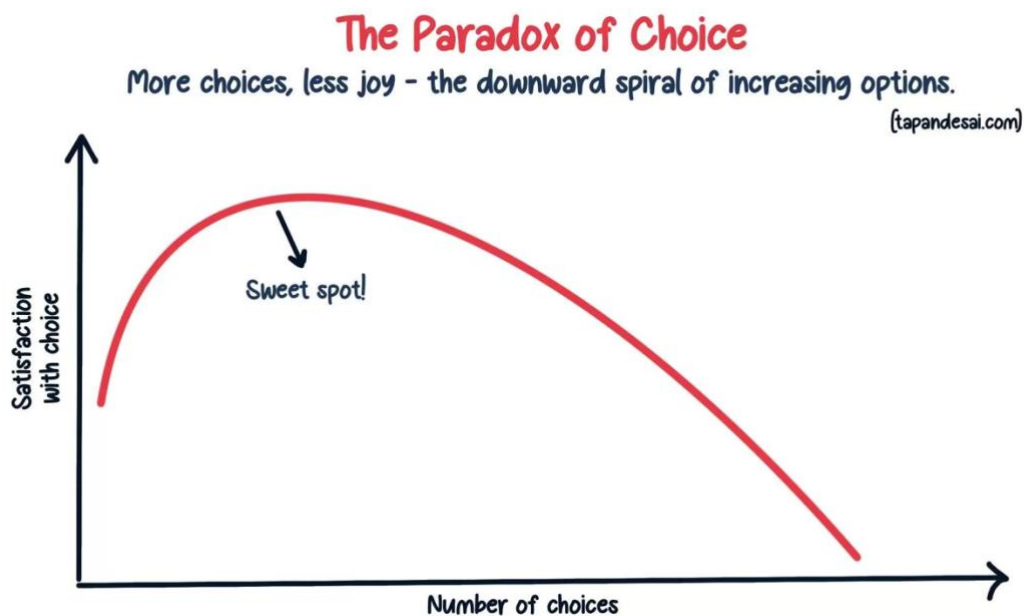
Both approaches have their pitfalls:

Maximizers might miss out on simple joys while hunting for the best.

Satisficers could lose out on achieving more by settling too soon.

Everyone can have both decision-making traits present in them. And it's important to switch the decision-maker hat, depending on the situation. If you're a Maximizer, try to ease up on less important decisions. If you're a Satisficer, push yourself a bit more on high-stakes choices.

The Paradox of Choice doesn't just complicate decision-making; it impacts our overall well-being. The constant chase for the "best" becomes a never-ending cycle, leaving us perpetually unsatisfied.



So, it's important to ask yourself, before making any decision, "Will this even matter in 5 years?" Set your own bar for what's enough.

Learning to choose is hard. Learning to choose well is harder. And learning to choose well in a world of unlimited possibilities is harder still, perhaps too hard.

Barry Schwartz

Peak-End Rule

Imagine this scenario: You and your partner head to Disneyland, excited for a day of fun. The crowds are thick, and with each ride demanding a two-hour wait, you strategize to hit just your top three or four favourites. Despite the long lines, you manage to get on each chosen ride. The day doesn't allow for every attraction, but it ends with a bang—the sky ablaze with an impressive fireworks display.

The following day, while sharing stories with your family, you find yourself saying, “Sure, we waited a while, but the rides were thrilling, and the roller-coaster? Incredible! And those fireworks, just spectacular.”

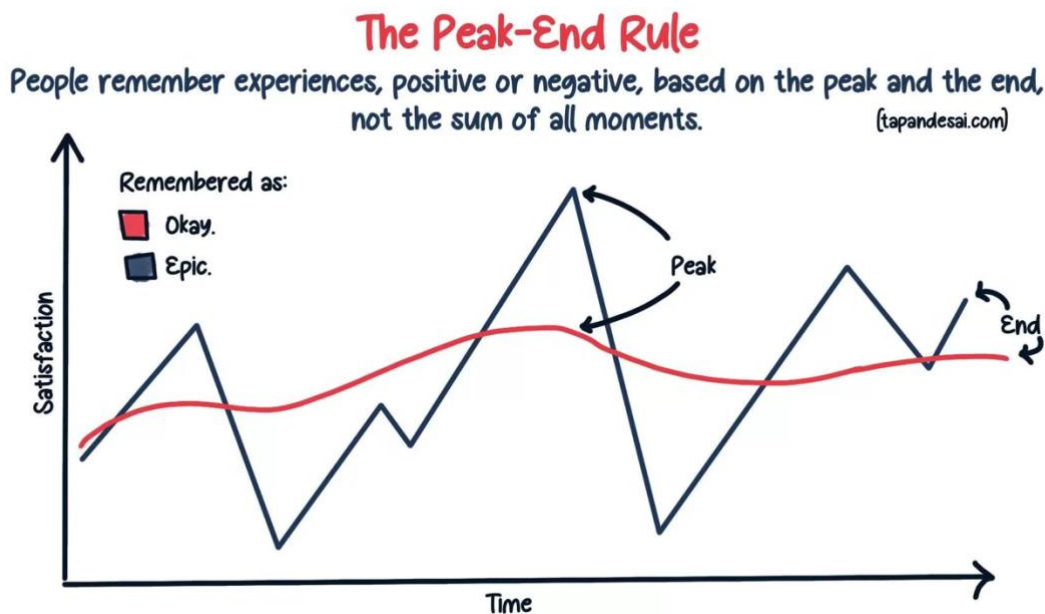
So, what's happening? Standing in queue should surely have made your experience average if anything. You didn't get to sit in every ride, just a select few because of the wait times and yet you remember it as a positive experience.

Daniel Kahneman and Barbara Fredrickson found an answer to this question in 1993.

It's called the **Peak-end rule**, which states that people remember an experience based on how they felt at its peak and its end, not the average of every moment.

Peak: The most intense or emotionally significant moment during the event.

End: The final moments or how the event concluded.



So, an experience that may have been dull for most of it, if it had a cracking bit in the middle and ended on a high will generally be remembered as more enjoyable than something that was decent all the way through but never reached those highs.

Turns out, our brains don't have the capacity to remember everything; instead, they have created a shortcut of recalling the peak and the end, making our minds act as if the rest never happened.

This creates a discrepancy between the real experience and the memory. It's as if we are two different people.

Experiencing self: This was us getting up late, feeling tired, not getting a car and waiting for the rental, being unable to snorkel due to turbulence, cancelling snorkelling, and finally, partying on a boat at sunset.

Remembering self: This was when I was back at the office, I only recalled the snapshots, the best moments from the sunset boat party (peak and end).

We don't choose between experiences; we choose between memories of experiences.

Daniel Kahneman

The peak-end rule has a strong influence on our memories, consequently our future decisions. So, here are four things to understand it better:

The peak-end rule comes from evolution: We can't remember every moment we lived. So, evolutionarily, it made sense for us to only keep the memories that most aided our survival. Remembering the most painful and pleasurable moments helped us avoid them or seek them out in the future. For a caveman, recalling a berry that made him sick held more significance than a berry that was just average, like all the rest.

The peak-end rule can cause positive or negative memories: The peak could be a negative experience and we will remember that vividly, resulting in an entirely different recollection. The Disneyland experience at the start ended on a high note, fireworks but what if my phone was stolen at the very end of the day.

The duration doesn't matter for the peak-end rule: A single, memorable peak or end can eclipse a long period of mediocrity. Imagine you went for a one-week work assignment which included mundane presentations, meetings, and ungodly hours of work. On Thursday night, your team had a team dinner, next thing you know you end up at a speakeasy, and finally at a Karaoke! Chances are that you will remember the work trip as a fun assignment with the team even though you spent the majority of your trip doing dull things.

The peak-end rule is subjective: Your friend may recall events differently from you. This is because the perception of the "peak" is experienced at an individual level and can vary among people.

All of this is great information but what do you do with this information? Let's learn some use cases for the peak-end rule.

- Create strong peaks in memories: Break patterns and add unexpected touches. People remember how you made them feel, so strive for positive and memorable experiences. Managers can boost team morale by celebrating milestones when significant work is completed successfully, fostering a sense of positivity and accomplishment in the project. During a staycation, make memories by planning a lunch out or an evening walk by the river (stronger peak), rather than spending the day in a simple binge-fest at home (average day).
- Finish on a high note: Focus on the final steps to create a positive impression in people's minds, whether it's a product, a meeting, or a vacation. Professionals can leave a lasting impact by offering a token of appreciation. A simple "thank you" goes a long way. For events, save the best and most enjoyable moments for the end, ensuring everyone leaves with warm and fuzzy feelings!
- Focus on the details: Your product's performance may be flawless for 364 days, but a single failure (peak) can leave a lasting negative impression, influencing people's decisions. Pay attention to project and product details to avoid such negative peaks.

Remember, the duration of the peak-end or the average moment isn't significant. When planning a vacation, focus on creating high-intensity bursts of excitement, even if you don't have the entire trip planned.

In a tedious meeting, inserting a positive and entertaining slide during the presentation can make a difference. People will remember the slide that brought them joy.

Streetlight Effect

A police officer sees a drunk searching for something under a streetlight. "What have you lost?" the officer asks.

"My keys", the drunk replies.

The officer agrees to help look. After a few minutes, the officer asks, "Are you sure you lost them here?"

The drunk replies, "No, I lost them in the park."

Incredulous, the officer asks, "Why are we searching here then?!"

The drunk replies, "It's too dark over there. This is where the light is!"

The streetlight effect (or the drunkard's search principle) is the tendency to focus on problems, questions, and data for reasons of convenience or availability versus reasons of relevance or importance.



So, why do we often end up like moths circling the same old streetlight? Here are three reasons:

1. Convenience is King: First up, convenience. It's like choosing to wear socks with holes because they're already on your feet. Why bother with the effort of finding a new pair if these do the job, right? We stick to what's lit up in front of us because, well, it's easy. The path of least resistance isn't always the wrong path, but it is often not the path to enlightenment.
2. Low Risk, Low Reward: Next, we're all about that low-risk life. We stick to the well-lit paths because the shadows could hide failure, or worse, more work. Imagine you're Indiana Jones, but instead of searching for lost artefacts, you're rummaging through your couch cushions for the remote. Sure, you might find some spare change, but the glory? Not so much.
3. Fear of the Dark (a.k.a. Unknown): Imagine, you're in a rut of a job that's going nowhere, in a toxic workplace. Suddenly one day, two options appear:
 - a. You're offered a new role with a slight increment but within the same company.
 - b. A recruiter slides into your LinkedIn DMs with a job offer that matches your current salary but at a different company.

Which one will you pick? Most people will pick A or B as they are right below the streetlight! But only a handful will venture out to seek, option C which is to look for a better paycheck in a better workplace.

We search for answers in the wrong place because of the fear of dark.

Science is a bit like the joke about the drunk who is looking under a lamppost for a key that he has lost on the other side of the street, because that's where the light is. It has no other choice.

Noam Chomsky

You see the Streetlight Effect quite a lot in real life, where people are focusing on convenient data and easily available information. Home life significantly affects a child's learning, yet most educational research is conducted in classrooms. Similarly, the anecdotes in many 'NYT Bestselling Books' are often those found at the top of Google search results. Politicians, too, tend to focus on easily measurable data, like GDP growth, instead of addressing qualitative factors, such as reductions in freedom of speech.

So, what can you do about it?

- Start with the Outcome: Keep your eyes on the prize. Make it a habit to check in with your end goal, like a compass guiding you through a forest, to make sure every step is forward—not just where the path is well-lit. Remember, the desired outcome, your lost keys!
- Beware of Supporting Biases: Watch out for the sneaky traps of availability heuristics (our tendency to overestimate the importance of information that's readily available) and confirmation bias (our habit of favouring information that confirms our existing beliefs). These mental shortcuts might feel like shortcuts to success, but they're really detours that keep us circling the same old ground.
- Be Open to Venture into the Dark: Dare to question your usual haunts and habits. When diving into something new, don't just stick to the first page of Google hits or the books everyone else is reading. Look further, dig deeper. Segregate your wandering and efficiency times, wandering is an essential counterbalance to efficiency.

The Streetlight Effect is a good reminder that to avoid sinking you should opt to explore the iceberg beneath the surface, rather than being content with what's visible.

High Velocity, High Quality Decision Framework

Jeff Bezos is one of the intellectual masters who I follow. He has consistently showcased clarity in his decision-making. **He explains, what's the essence of a senior executive's role? It boils down to making a few, impactful decisions rather than getting bogged down by the minutiae of daily choices.**

You have to make high-quality, high-velocity decisions. Jeff Bezos explains how:

Door Decision Framework: Never use a one-size-fits-all decision-making process. Many decisions are reversible, two-way doors. Those decisions can use a light-weight process. For those, so what if you're wrong?

70% Rule: Most decisions should probably be made with somewhere around 70% of the information you wish you had. If you wait for 90%, in most cases, you're probably being slow.

You need to be good at quickly recognizing and correcting bad decisions. If you're good at course correcting, being wrong may be less costly than you think, whereas being slow is going to be expensive for sure.

Disagree & Commit: Use the phrase "disagree and commit." If you have conviction on a particular direction even though there's no consensus, it's helpful to say, "Look, I know we disagree on this, but will you gamble with me on it? Disagree and commit?" By the time you're at this point, no one can know the answer for sure, and you'll probably get a quick yes.

But your team needs to commit to the decision, there should be no backstabbing or politics once they have disagreed & committed.

Spotting Misalignment Early: Recognize true misalignment issues early and escalate them immediately. Sometimes teams have different objectives and fundamentally different views. They are not aligned. No amount of discussion and no number of meetings will resolve that deep misalignment. The teams acts like this:

Without escalation, the default dispute resolution mechanism for this scenario is exhaustion. Whoever has more stamina carries the decision.

"You've worn me down" is an awful decision-making process. It's slow and de-energizing. Go for quick escalation instead—it's better.

The Ringi System

The Ringi system is the ultimate way to make a timely democratic decision in an organization.

Suppose you have a meeting on Friday in which you need to decide if your company needs to order more coffee.

In a typical US firm, the problem will be brought to the table on Friday during the meeting and people will be asked to make a decision.

In the Ringi system, a ringi (a paper or digital document) will be created on Monday which will talk about the problem and provide potential solutions. The ringi will then be forwarded throughout the office to appropriate people who would be asked to add their responses to the ringi and sign-off.

So come Friday meeting, the ringi will have already been sent to the participants who would have given a thought to the issue and provided some feedback.

It makes taking a decision during the meeting really easy.

Socratic Method

Humans are wired for critical thinking, born with innate curiosity. But as we grow old, we lose this curiosity because of many base assumptions. We stop asking why. We lose the desire to dig deeper. “Because that’s how it is supposed to be”, is the go-to response.

One way to build the critical thinking muscle again is the Socratic Method. You can use the Socratic Method in investing, business, or arguing with a stranger over the internet.

Before I explain the steps involved, let’s discuss one common assumption:

The correctness of a statement cannot be determined by whether it is held by a majority or has been believed for a long time by important people. A correct statement is one incapable of being rationally contradicted. A statement is true if it cannot be disproved.

So, now, here are the five steps:

- **Statement:** Locate a statement confidently described as common sense.
- **Question:** Imagine for a moment that the statement is false despite the confidence of the person proposing it. Search for situations or contexts where the statement would not be true.
- **Response:** If an exception is found to step 2, the definition must be false or at least imprecise.
- **Reiterate:** The initial statement must be nuanced to take the exception into account.
- **Repeat:** If one subsequently finds exceptions to the improved statements, the process should be repeated. The truth lies in a statement which it seems impossible to disprove.

It is by finding out what something is not that one comes closest to understanding what it is. Let’s look at an example.

- Statement: Acting courageously involves not retreating in battle.
- Question: Could one ever be courageous and yet retreat in battle?
- Response: Yes - It is possible to be courageous and retreat. It is possible to stay firm in battle yet not be courageous.
- Reiterate: Acting courageously can involve both retreat and advance in battle.
- Repeat: Could one not be involved in retreat and advance and yet be courageous in battle?

The Socratic Method stirred ancient Athens—Socrates was sentenced to death for corrupting the youth and impiety. His crime? Teaching critical thinking and questioning authority.

If you disagree with someone, you should understand their side better than they do before you open your mouth.

Charlie Munger

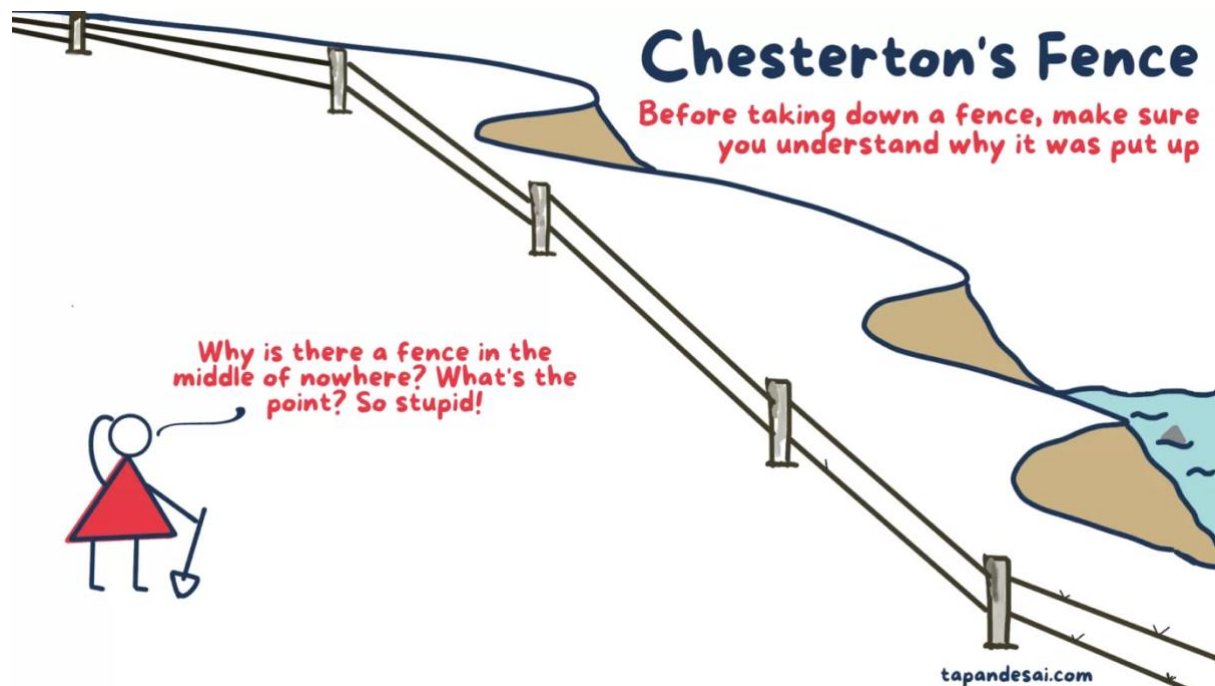
Socrates pushed for rationality and dug deeper to understand the truth. This involved understanding not only why something was true, but also why its alternatives were false.

Socrates was the wisest man in Athens. Not because of how much he knew, but because he was the only one who understood how much he did not know.

Chesterton's Fence

[Chesterton's Fence](#) thinking tool, named after the famous English writer G.K. Chesterton, advises against making any reforms until you understand the reasoning behind the existing state of affairs. This principle doesn't only apply to businesses but to all professionals.

Put simply, don't take a fence down unless you know why it was put up.



The principle serves as a reminder that those who made decisions before us might have had good reasons for doing so. Until we know why they made that decision, it's not safe to change it or conclude that they were wrong. We need to observe the system in full and learn how it works before proposing any changes.

The first step before modifying an aspect of a system is to understand it. Observe it in full. Note how it interconnects with other aspects, including ones that might not be linked to you personally. Learn how it works, and then propose your change.

Shane Parrish

Chesterton's Fence can apply to any system, be it business, government, education, or personal life. Here are a few more examples to illustrate how this principle works:

In software development, before making any changes to a codebase, developers first analyse the existing code to ensure they don't break any existing functionality or create new bugs. There's a saying in software engineering which relates to Chesterton's Fence, don't change code that you don't understand. Why? Because it can destroy an entire platform.

In urban planning, before building new infrastructure, planners consider existing traffic patterns, zoning laws, and community feedback to avoid disrupting the status quo.

In medicine, before prescribing new treatments, doctors review a patient's medical history and current medications to avoid harmful drug interactions.

Policymakers should consider previous the policy was set up in a particular way before making any changes.

Second Order Thinking and Chesterton's Fence should be used to complement each other. Always think about the consequence of your decision.

**So, the next time you're tempted to make changes to a system you don't fully understand, ask yourself:
"Do I really know why this fence was put in the first place?"**

The Duration Effect

I don't like the news (see [deep-fried broccoli](#)). The current news cycle doesn't even last 24 hours. In an era of a perpetually evolving news cycle, our brains are often deluged with a ceaseless stream of information.

This phenomenon, termed the "Noise Bottleneck" by Taleb, illustrates that as data consumption increases, so does the noise-to-signal ratio. This means that you may find yourself less informed about actual events as the volume of information increases.

In her book, "You Are What You Read," Jodie delves into how news headlines employ sensationalism to garner attention and attract viewers. However, the effectiveness of this tactic dwindles over time. Hearing about tragedy, crisis, and violence regularly can normalize such events, consequently diminishing their shock value.

This process, known as adaptation in psychology, is a reduction in sensitivity following continuous exposure to a particular stimulus.

Ironically, this prompts media outlets to further sensationalize the news, hoping to keep us stimulated.

As a result, we find ourselves unwittingly entrapped in a paradox of overstimulation.

So, what's the solution? It's the Duration Effect.

The concept that allowing sufficient time between exposures to a stimulus (like news) can enhance our understanding and response to it, instead of becoming overwhelmed by constant exposure.

Imagine a garden where you water the flowers incessantly. They'd drown from too much water, right? That's like bombarding yourself with constant news. But if you give the garden time to absorb and utilize the water, it thrives.

By letting a significant duration of time pass before reacting, you can read about the world's issues less frequently, but with greater depth.

This approach was famously employed by the legendary investor Sir John Templeton. He moved from New York City to the Bahamas, where his copies of The Wall Street Journal arrived several days late. Templeton claimed, "By reading the news a week later, I could put it in perspective and prevent myself from overreacting."

That's all cool but how do we apply the Duration Effect in our personal life?

- You don't have to know everything, everywhere, all the time.
- Find content curators that prioritize quality over quantity (for example, those who share one thoroughly researched article per week instead of 24/7 updates).
- Rather than constantly checking the news or social media feeds throughout the day, schedule specific times for these activities. Use tools such as Notion (or Notes) to list content that you can read or watch during these windows.
- Instead of only skimming through headlines or summaries, take the time to read full articles or reports during your information intake windows. This will allow you to understand the nuances of the news better.
- Ask yourself, "Will I still care about this news a year from now?" when consuming content.

The incumbent tactic of churning out more news content with even bigger doses of excitement can lead us to believe that the problems being reported are increasing at an accelerated pace.

But take a breath - in most cases, they aren't.

3.

Driving Force

Incentives & Outcome

Rewind to 1946: A pack of goat-herding teens were hanging out near the old settlement of Qumran, nestled on the Dead Sea's northwest coast. One of the boys, in a moment of boredom, hurled a rock into a cliff's opening and was greeted with an echo of shattering glass.

The boys were intrigued and in their ragtag Bedouin attire they dove into the cave, dusting off ancient scrolls secured in clay jars - an unexpected loot. These scrolls journeyed from the boys' hands to an antique dealer, and finally, into the custody of scholars.

News travelled fast. The promise of rewards led to a "scroll rush" among the local treasure hunters. The archaeologists wanted more, and they put out a bounty - the more scroll fragments you find, the bigger the reward.

The result? The fragments were deliberately torn into smaller pieces, inflating their quantity for more rewards but causing invaluable damage for archaeologists.

People do what they perceive is in their best interest and are biased by incentives. This means that we have to recognize self-interested behaviours in others.

There's a famous saying that Warren Buffett often repeats, never ask the village barber if you need a haircut.

Show me the incentive and I will show you the outcome.

Charlie Munger

George Mack once shared in his newsletter that New Year's resolutions notoriously fail 91% of the time.

If the reward for completing New Year's resolutions was a billion dollars, and the consequence for failing was the death penalty – what % completion would New Year's resolutions have?

You have to build strong incentives for your resolutions to succeed.

As Charlie Munger puts it, if you want ants to come, you put sugar on the floor.

Take this wild fact: In the 1700s, 33% of British criminals shipped to Australia didn't survive the journey. So, how do you stop sea captains from killing criminals? Britain switched from paying sea captains for every passenger who walked on the ship to paying them for every passenger who walked off. Immediately, the survival rate shot up to 99%!

So, what can you do about incentives?

When dealing with those who have something to gain from your decisions, remember to be a little sceptical. Ask yourself: Who's the real winner here?

To use incentives effectively, play detective. What motivates people? Money, status, love, reputation, power, or envy? Use this knowledge wisely when rewarding.

Measure your incentives. Pick meaningful metrics over easy-to-calculate ones. Be wary of Goodhart's Law though: "When a measure becomes a target, it ceases to be a good measure".

Employ second order thinking (ripple effect) to consider the subsequent consequences of established incentives when making decisions.

Incentives are expert storytellers, able to convince you that nonsense is real, harm isn't happening, value is being created, and whatever you're doing is just fine.

Morgan Housel

The Pizza Principle

Nothing ruins creativity like too many voices weighing in. Groups of people don't agree on what's cool or interesting. They agree on what's easy.

The Pizza Principle: Ask 5 strangers to share a pizza. If they must agree on the toppings, they'll pick plain cheese or pepperoni at best.

Groups of people don't agree on what's interesting. They agree on what's easy.

"Consensus" is just another way of saying average.

This ties with the idea of Groupthink which occurs in a group of people in which the desire for harmony or conformity in the group results in an irrational or dysfunctional decision-making outcome.

If you want to do something interesting, you have to be not part of the flock. Ride against the tide. Also, be aware of [Social Proof](#).

Social Proof

Jake in his company attended a meeting where an investment proposal by a consultant was presented that promised a 200% return.

Jake found himself in a mental twist as he attempted to untangle the convoluted proposal. The acronyms in the investment proposal might as well have been ancient hieroglyphics. He glanced around, searching for a lifeline among his 11 colleagues who, as if choreographed, were all nodding their heads.

Jake thought, "Aaah great. They all understand!"

And then came the question, "Does your company want to invest in this opportunity?"

There was a brief silence and then Jake's colleague, Kenneth, said "Sure!"

Suddenly, all the remaining 11 team members were nodding in agreement. The business invested in the opportunity.

A year later they collectively had lost about \$30 Million. How could 12 smart individuals in a top company be fooled?

It turned out no one had actually understood the proposal. Not even Kenneth.

Everyone automatically assumed that the other 11 individuals present at the meeting had evaluated the investment proposal. If there was something bad, someone else would have said so.

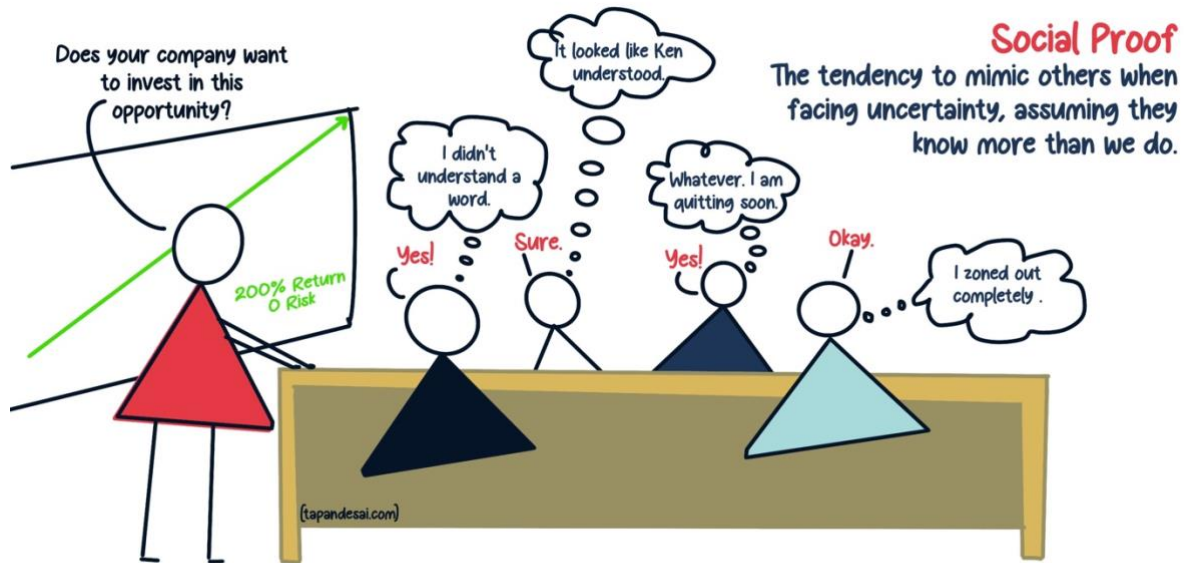
When people are free to do as they please, they usually imitate each other.

Eric Hoffer

Social Proof is the idea that we often lean on the judgments of others when faced with uncertainty, stemming from the assumption that they possess more knowledge about the situation.

We are social animals, influenced by what we see other people doing and believing. We believe that others know more than we do. We also want to avoid embarrassment when we're among strangers (or colleagues).

We feel more comfortable as part of a majority. It acts as a protection from criticism. If we are wrong and everybody else is too, we get less blame. But when we all are thinking the same thing, no is thinking much.



Here are some real-life situations where you could have seen Social Proof in action:

- Business and Meetings: We've already witnessed Jake's ordeal (Ken, you're still on our blacklist!). In team meetings where quick decisions are necessary, the phenomenon of social proof can emerge, leading to a group consensus that might result in suboptimal or even outright incorrect conclusions. This is also referred to as 'groupthink'.
- Public Events and Gatherings: Crowds tend to behave irrationally. An influential leader, for better or worse, can leverage social proof to steer their agenda. As a rule, group decisions usually reflect the inclinations of individuals, but in a more pronounced manner. This phenomenon, known as the Group Polarization Effect, means that leaders can disseminate extreme views.
- Social Events, Media, and Marketing: The prevalence of social proof is evident in numerous social contexts. For instance, a long queue outside a club sends a message of popularity to bystanders. A restaurant boasting a perfect online rating gives the impression of quality cuisine. An online product endorsed by a celebrity influencer with a vast following serves as a signal that the product is worth buying.
- Investing: Social proof also makes its appearance in the investment world. Investors often mimic the buying or selling decisions of successful 'super-investors', presuming their choices are well-researched. Mohnish Pabrai refers to this as 'cloning', but such a strategy can lead to losses if due diligence isn't undertaken.

Even though all of these can be biased, anecdotal or even fake, we judge people 'like us' as more trustworthy.

The five most dangerous words in business are: 'Everybody else is doing it.'

Warren Buffett

So, what can you do?

- Consider: What is popular is not always right. If you don't like what other people are doing, don't do it.
- Evaluate: Ask - Does this make sense? Disregard what others are doing and think for yourself.
- Act: If you have formed a conclusion from the facts and if you know your judgment is sound, act on it - even though others may hesitate or differ.
- Create Safe Spaces: Encourage confidential voting in group decisions to minimize social pressure.

As Somerset Maugham noted, if 40 million people say a foolish thing, it does not become a wise one.

Matthew Effect

Three servants were each given talents (unit of weight) of gold for safekeeping by their master according to their abilities. The first servant received 5 talents of gold, the second received two, and the third received only one.

The first two servants invested their talents of gold and earned a return. The third servant buried his talent of gold to keep it safe and earned nothing.

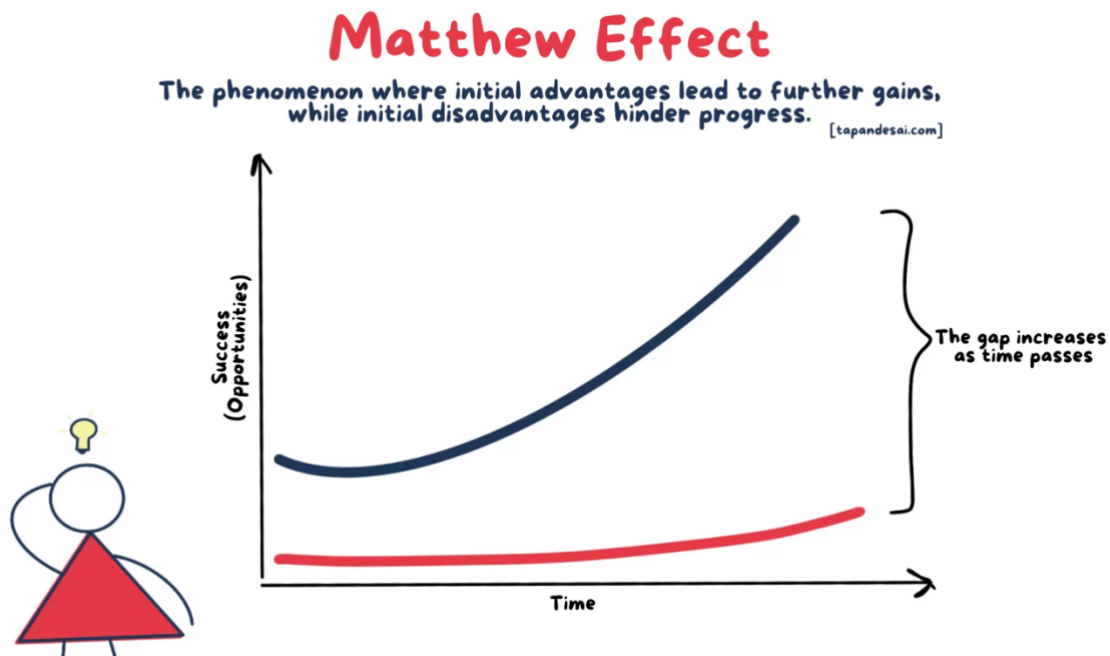
The Parable of Talents can also be used to justify that hard work pays off, but the third servant couldn't do much with one talent of gold and as asked, he did keep the gold safe! (image source)

After a long absence, the master returned and asked for an account of the talents of gold entrusted to them. The master rewarded the first two servants and punished the third, taking away his talent and giving it to the first servant.

As Matthew 25:14-30 says, for to everyone who has, more will be given, and he will have abundance; but from him who does not have, even what he has will be taken away.

This anecdote, known as the "Parable of the Talents" from the Gospel of Matthew, inspired Robert K. Merton to coin the term "Matthew Effect."

Matthew Effect is the tendency of individuals to accrue social or economic success in proportion to their initial level of popularity, friends, and wealth. It's like the rich get richer and the poor get poorer.



According to Merton, this phenomenon occurs due to societal structures and recognition systems that tend to favour those already in the limelight. As a result, those with initial advantages receive more opportunities, leading to a cycle of ever-increasing success.

- Music: Popular musicians enjoy more promotion and collaborations, which enhances their success and exposure further while emerging artists struggle to gain the same attention.

- Education: Prestigious institutions like Harvard, Yale, or Princeton attract the brightest minds and substantial funding, reinforcing their elite status.
- Employment: Experienced professionals find it easier to secure jobs and negotiate better salaries, creating a cycle of continuous success.
- Literature: Well-known authors receive more publicity, leading to higher sales, while emerging authors face challenges securing similar exposure.
- Sports: Athletes who demonstrate early talent are often provided with more coaching and opportunities, further enhancing their performance.
- Business: In the competitive world of technology, companies like Google and Facebook that secured an early lead in their respective domains attracted more users and resources, further solidifying their market dominance, while their competitors faced an uphill battle to catch up.

Here are five things that you can do to utilise Matthew Effect:

Recognize Initial Advantages: Utilize any lead or advantage you have, such as your education, network, skills, or other resources to create further opportunities.

Seek Mentors and Networks: If you're starting from a lower advantage point, mentors can provide guidance, and valuable advice, and possibly introduce you to new opportunities.

Create Opportunities for Others: If you're in a position of influence, create opportunities for those who may be disadvantaged. This could be in the form of mentorship, providing resources, or advocating for fairer systems in your sphere of influence.

Avoiding Pitfalls in Success Patterns: Be mindful not to overlook potential talent from less prestigious institutions or disadvantaged backgrounds. Also, while early success is beneficial, it's important not to become complacent. Use early success as a launchpad for continuous growth and development.

Mimetic Desire

A friend quizzed me: “When and why did you start reading?” Growing up, books weren’t really my thing (except for Tinkle comics, of course!). But in 2015, I came across a challenge from Zuck in the form of his “A Year of Books” challenge which required reading a new book every other week. That answered the “when” for my friend.

As for the “why”, I had honestly never given it much thought. However, 8 years and 300 books later, it might sound peculiar that a Facebook post from Zuck set me on a reading spree, forming a lifelong habit.

But it wasn’t just about Zuck. Deep down, I realized that icons like Shane Parrish and Charlie Munger, whom I admired, were voracious readers. As the quote by Harry S. Truman goes, not all readers are leaders, but all leaders are readers.

My reading habit essentially stemmed from the idea that I desired to be successful like these models. I wanted to be a leader. So, I imitated them.

And this is what the French polymath and philosopher, René Girard figured out:

Man is the creature who does not know what to desire, and he turns to others in order to make up his mind. We desire what others desire because we imitate their desires.

René Girard

We are often convinced that our desires are our own. We say, “I want to pursue the above objects because it makes sense to me. It will make me happy.”

René Girard calls this the “Romantic Lie”. Our desire to achieve an object is not objective. Our own desires are formed by imitating the desires of others.

We copy from the people we admire (Mark Zuckerberg, Shane Parrish, Charlie Munger) and from the people who are most like us (friends/colleagues/parents). We assign value to things according to what other people want.

Desire is a social process – it is mimetic.

Here’s the truth:

We would like our desires to come from our deepest selves, our personal depths but if it did, it would not be desire. Desire is always for something we feel we lack.

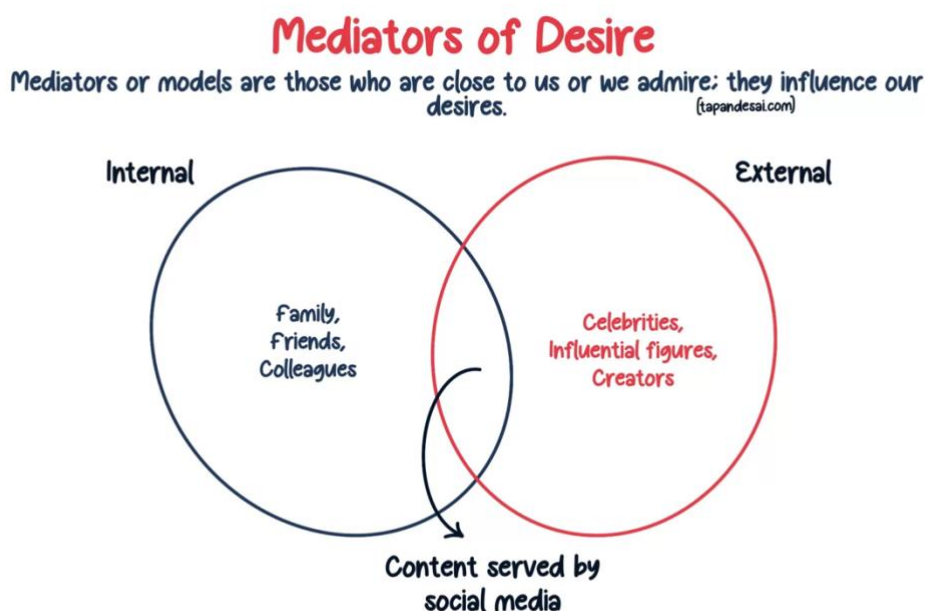
René Girard

Girard says that beyond the basic survival needs, there is no such thing as true, authentic desire.

It’s not so much the objects themselves that captivate us; rather, it’s the models or the people we know or admire that hold our attention. Girard calls this “metaphysical desire” (bear with me here). It’s the desire of another’s desire – not of any particular object.

So, by taking Mark Zuckerberg's reading challenge, I did not desire to read 52 books in a year but the prestige that I had done something Mark had done. A chef who lusts for the Michelin star doesn't really want the silly star but the prestige that comes with it.

It's useful to recognise what kind of models are influencing you. There are two main kinds:



Mimetic desire isn't inherently harmful. But when the object of desire is limited, it breeds conflict. The closer the models, the stronger the conflict. If a stranger gets the job position you want, you don't care much. But if your friend gets the same job, you feel envy.

The desire to imitate is a very strong factor in our life, not only at the superficial levels, but also profoundly. We have hardly any independent thoughts and feelings. When they do occur, they are mere reactions, and are therefore not free from the established pattern; for there is no freedom in reaction... This imitation of what we should be, breeds fear; and fear kills creative thinking.

Jiddu Krishnamurti

Girard said that imitation is inevitable. While we can't dodge it entirely, we sure can dance around it. Here's how do you overcome mimetic desires:

- Inner Joy vs. Outer Want: Fulfilling our needs brings true joy. Get off the hedonic treadmill mimicking one desire after another by distinguishing your needs and wants. Meditation could help.
- Spot Your Models: Your surroundings, your peeps—they're shaping your wants. You should understand who the models are influencing your desires.
- Imitate with Intention: You can change your models and imitate with intention. This also includes looking at people you follow on social media. Harness the power of mimetic desire to drive your personal growth.
- Desire's Depth Gauge: Thick desires define who you are whereas thin desires come and go. You have to be aware of your thin, temporary desires.
- Live an Anti-Mimetic Life: To be anti-mimetic is to be free from the unintentional following of desires without knowing where they came from. Luke Burgis has good articles on living an anti-mimetic life.

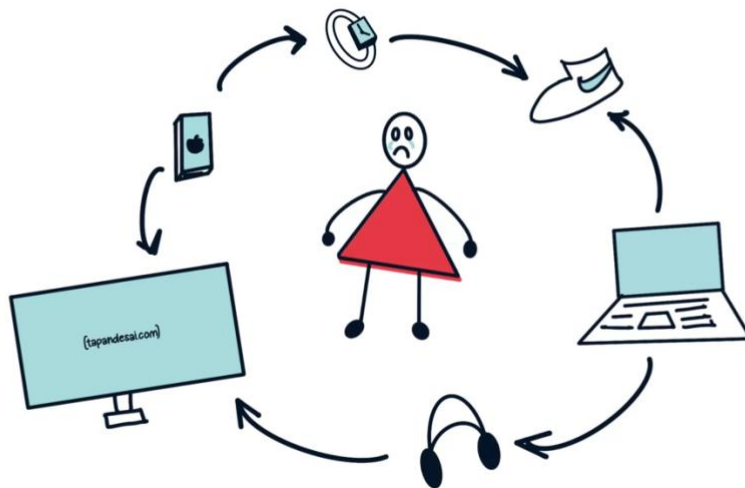
Diderot Effect

Have you ever walked into IKEA planning to buy just one item and walked out with a cart full?

Diderot Effect is a social phenomenon, mostly related to consumer goods and hinges on two ideas:

- **Identity-Reflective Purchases:** It suggests that the items we buy are more than just objects; they're extensions of our identity. Each piece we own harmonizes with our self-image.
- **Consumption Cascade:** Introducing a new, distinct item into our collection can disrupt this harmony, leading to a cascade of additional purchases, all in an effort to restore balance.

The Diderot Effect
The Diderot Effect explains how one purchase often leads to more, as we seek harmony in our possessions.



The term 'Diderot Effect' was coined by Grant McCracken, an anthropologist with a keen eye for cultural patterns, in his 1988 book "Culture and Consumption." Inspired by Denis Diderot's essay about a scarlet gown that threw his world into a materialistic frenzy, McCracken explored how our possessions and our identities are intertwined.

And what was Denis Diderot's essay about? Well, Denis Diderot, a French philosopher, wrote an essay called "Regrets on Parting With My Old Dressing Gown" in which he described a new beautiful scarlet dressing gown that was gifted to him.

The gown put everything he owned, all his possessions, to shame.

"All is now discordant. No more coordination, no more unity, no more beauty", said Diderot. But let's take a step back. Who was Denis Diderot?

You see, Denis Diderot lived his entire life in poverty. He lived a bohemian existence in Paris as a writer. He had made acquaintance with many prominent writers and philosophers of the Enlightenment Age, including Jean-Jacques Rousseau, Voltaire, and Jean le Rond d'Alembert.

The French Polymath, Denis Diderot who also an enlightenment thinker and compiler of the first encyclopaedia. In 1745, Diderot was appointed as the editor-in-chief of the Encyclopédie, a massive encyclopaedia project that

aimed to compile and disseminate all of the knowledge of the day. Diderot worked tirelessly on the project, writing many articles himself and overseeing the work of hundreds of contributors. The Encyclopédie was a ground-breaking work that challenged traditional ways of thinking and helped spread Enlightenment ideas throughout Europe.

His fortunes improved significantly in 1766, when Empress Catherine the Great, who heard of his financial troubles, paid him 50,000 francs to serve as her librarian.

This is when he received his beautiful scarlet dressing gown, which he mentioned in his essay, and it made all of his other possessions pale in comparison. In Diderot's own words, "everything is out of tune."

So, he replaced all his old possessions with new things to create a sense of harmony with his new gown. He bought a new rug from Damascus, a Moroccan armchair to replace an old straw chair, intricate sculptures, an expensive clock, and so on.

He did this to create a sense of unity with his new gown. And, eventually, went bankrupt!

Diderot Effect is a driving force that makes us buy things that we don't need and explains how one purchase often leads to more, as we seek harmony in our possessions.

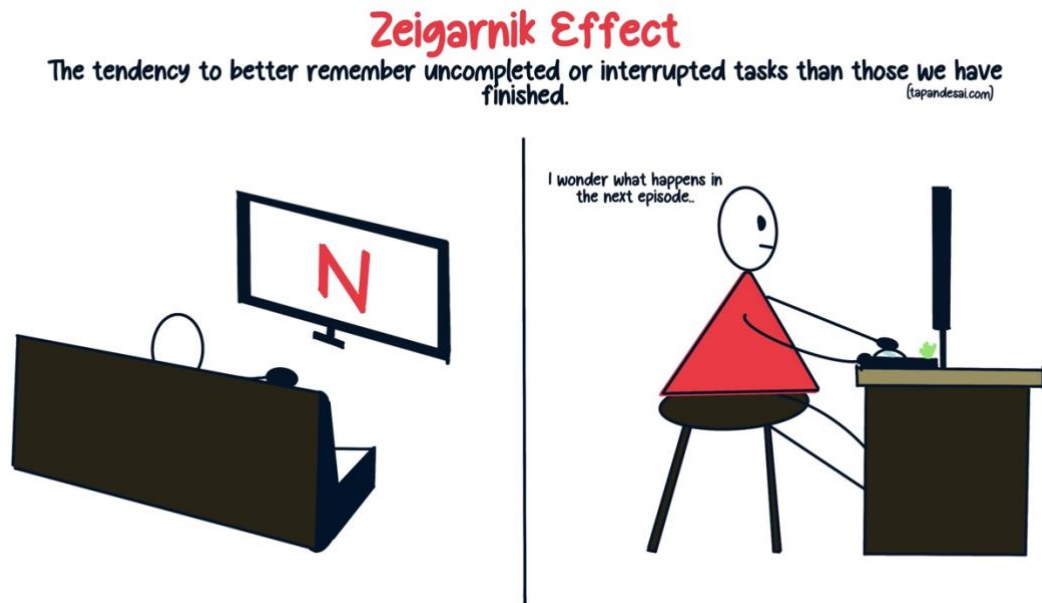
Here's how you can overcome the Diderot Effect and break free:

- **Prioritize Needs Over Wants:** A practical approach to overcome the Diderot Effect is by distinguishing between 'needs' and 'wants.' Before making any purchase, assess whether it is a necessity or just a desire. This helps in avoiding unnecessary acquisitions that are often prompted by the Diderot Effect. For example, buying a new phone only when the old one is beyond repair, rather than upgrading for the sake of new features.
- **One-In, One-Out Rule:** Implement the 'one-in, one-out' rule to keep your possessions in check. Whenever you buy something new, choose something old to give away or discard. This method not only curbs the accumulation of unnecessary items but also helps in maintaining a clutter-free environment. For instance, if you buy a new pair of shoes, donate an older pair that you no longer wear.
- **Seek Support:** Discussing potential purchases with friends or family can provide a fresh perspective and help in identifying if you're falling prey to the Diderot Effect. Sometimes, an external viewpoint can point out if a purchase is unnecessary or influenced by momentary desires. This could be as simple as asking a friend their opinion before buying a new gadget.
- **Track Spending:** Regularly monitoring and reviewing your expenses can help in recognizing patterns of unnecessary spending. Keeping a record of purchases enables you to see where your money is going and whether your spending aligns with your financial goals. For example, using a budgeting app to track monthly expenses can highlight areas where the Diderot Effect might be influencing your purchasing decisions.

Zeigarnik Effect

Zeigarnik Effect states that open tasks tend to occupy our short-term memory—until they are done.

That is why we get by thoughts of unfinished tasks, regardless of their importance. Unfinished work continues to exert an influence, even when we try to move on to other things.



Bluma Zeigarnik observed the effect while sitting in a busy restaurant in Vienna. She noted that the waiters had better memories of unpaid orders. Once the bill was paid, however, the waiters had difficulty remembering the exact details of the orders.

You feel extremely anxious of the things you must complete during the day until you make a to-do list.

Soap operas and serialized dramas also take advantage of this effect. The episode may end, but the story is unfinished. Cliff-hangers leave viewers eager to learn more, and thanks to the Zeigarnik effect, they will remember to tune in next time to find out what happens.

You must have also seen this with progress bars in UI designs. The unfinished progress bar creates task tension, occupies your short-term memory, and motivates you to finish the task at hand. Apple utilises this feature quite a lot with the activity bar in their watches. If you own an Apple Watch, you know you need to close the rings.

So, how to deal with it?

- If you're leaving something unfinished, note it down. It gives some comfort of accomplishment.
- Break up big tasks, instead of taking on everything at the same time.
- Writing - if you want to leave the writing mid-way, leave a summary of thoughts which can act as a starting point when you start again.

Cargo Cult Thinking

Picture this: it's World War II, and a remote island in the Pacific is suddenly occupied by a foreign military force. The native islanders watch in awe as the soldiers unload their cargo planes, filled with supplies and food that the islanders had never seen before. The soldiers build a runway out of bamboo, and planes start landing and taking off regularly. But then, just as suddenly as they came, the soldiers leave as the war ends, taking all of their cargo with them.

The islanders are left behind, staring at the empty runway, wondering when the planes will return.

This is the story of the famous "bamboo runway," one of the most striking examples of Cargo Cult Thinking (or Cargo Cult Science). The islanders believed that by building a replica of the runway and mimicking the behaviours of the soldiers, they could bring back the planes and their cargo. But of course, that never happened.

Cargo Cult Thinking means imitating behaviours without understanding how they work in the hope of achieving the same results. The rooster that crows in the morning doesn't cause the sun to rise. Likewise, cajoling the rooster to crow earlier will not make the day longer.

Correlation is not causation.

It is the belief that if we simply emulate the visible effects of achievement, the real achievement will follow automatically. It's a dangerous trap that many of us fall into, both in our personal and professional lives.

Richard Feynman described the scientific practices that appear to be scientific on the surface but lack a rigorous understanding of the underlying principles. In his 1974 Caltech speech, Feynman cautioned against "cargo cult science," saying that it "resembles real science in every way except one: it doesn't work." He stressed the importance of honesty, scepticism, and critical thinking in scientific research, and urged scientists to be open to the possibility that their theories might be wrong.

Feynman's speech remains a classic warning against the dangers of superficial thinking and the need for intellectual honesty in inquiry. In the age of fake news and alternative facts, his message is more relevant than ever.

The first principle is that you must not fool yourself – and you are the easiest person to fool. So you have to be very careful about that. After you've not fooled yourself, it's easy not to fool other scientists. You just have to be honest in a conventional way after that. So we really ought to look into theories that don't work, and science that isn't science.

Richard Feynman

Cargo Cult Thinking can be a dangerous trap that many fall into. It's essential to understand the principles behind any successful behaviour rather than merely copying the visible effects. We need to look beyond the surface and understand the deeper, underlying principles of success:

- Understand the underlying principles: Instead of just copying the surface-level behaviours of successful people, take the time to understand the underlying principles that drive their success. This will give you a deeper understanding of how things work and enable you to create your own unique approach.

- Test your assumptions: Don't assume that just because something has worked in the past, it will continue to work in the future. Be willing to test your assumptions and experiment with new approaches. This will help you avoid the trap of assuming that a specific action always leads to a specific result.
- Focus on what really matters: Don't get distracted by superficial metrics or vanity metrics that don't truly reflect success. Instead, focus on the key drivers of your goals and measure your progress accordingly. This will help you avoid the trap of chasing after the appearance of success rather than actual success.

The bamboo runway didn't work; building an airfield that looks like the one from the war won't bring the planes back. Be mindful of Cargo Cult Thinking and don't fall into the trap of simply copying the visible effects of success.

Remember: imitation is not innovation.

Cargo cults might get you to a certain point, but they won't take you to the top. To truly succeed, you must understand the principles that underlie the success you seek.

Scout vs. Soldier Mindset

A soldier's reflexes are rooted in a need to protect themselves and their side and to defeat the enemy.

Whereas a scout has to neither attack nor defend. A scout only must understand. The scout wants to know what's there, as accurately as possible.

And in a real army, both the soldier and the scout are essential.

But you can also think of each of these roles as a mindset — a metaphor for how all of us process information and ideas in our daily lives.

The scout vs. soldier mindset was popularised by Julia Galef in their book, *The Scout Mindset*.

The scout mindset is all about being curious, seeking the truth without bias, and accepting reality, even when it's surprising. Galef sets this against the 'soldier mindset,' where people often defend their beliefs instead of being open to change.

A soldier mindset is rooted in emotions like defensiveness or tribalism. A scout's mindset is rooted in emotions too, emotions of curiosity.

We see the soldier mindset often, especially in religious and political debates. In defending their own political party, people overlook the flaws because they must defend their own opinion. Why is that the case? Well, this is a case of what scientists call "motivated reasoning." It's this phenomenon in which our unconscious motivations, our desires, and fears, shape the way we interpret information.

Some information, some ideas, feel like our allies. We want them to win. We want to defend them. And other information or ideas are the enemies, and we want to shoot them down.

A soldier mindset could be dangerous when applied in the wrong way. Our judgement is strongly influenced, unconsciously, by which side we want to win. And this is ubiquitous [and scary]. This shapes how we think about our health, our relationships, how we decide how to vote, what we consider fair or ethical.

It's important to understand which mindset you are in - soldier or scout. In today's day and age, it's crucial to have a scout mindset when you read or watch anything online!

Entity vs. Incremental Theorists

Imagine being tasked by your manager to create a new dashboard at work using Tableau. You are excited about the new project but there's just one problem: you have never used Tableau before. So, you quickly start learning about it by watching a few YouTube videos, reading a couple of articles, and practising for a few weeks. Finally, the time comes to put your newly acquired knowledge into action and start creating the dashboard. But wait... it's not as easy as the YouTuber made it look in the video. You are struggling.

So, what do you do?

- a) Do you accept defeat, be convinced that you're just not cut out for it, and tell your manager that you want a new project; or
- b) Do you rise to the challenge, acknowledging that with more effort and practice, you could master it?

Your answer to this conundrum is based on the implicit theory of intelligence, which Josh Waitzkin explores in his book, *The Art of Learning*.

There are two mindsets regarding intelligence:

- Entity Theorists: They believe that success or failure hinges on something static and implicit in who they are as people.
- Incremental Theorists: They believe that success or failure is dependent on actions and processes.

In a difficult situation, an entity theorist would think, "I'm not smart enough for this." Conversely, an incremental theorist would say, "If I work hard enough, I might get it."

Very smart kids with entity theories tend to be far more brittle when challenged than kids with learning theories who would be considered not quite as sharp.

In fact, some of the brightest kids prove to be the most vulnerable to becoming helpless, because they feel the need to live up to and maintain a perfectionist image that is easily and inevitably shattered.

Josh Waitzkin

Incremental theorists don't necessarily believe that anyone can become an Einstein or Mozart, but they do understand even Einstein and Mozart had to put in years of effort to become who they were.

Unfortunately, I have grown to adopt the entity theorist mindset. I tend to give up after a few attempts and switch to something new if I don't find immediate success.

However, I am slowly working to change my perspective to that of an incremental theorist. I am trying to analyse my success and failures based on the process and inputs instead of something inherent.

Being High Agency

Resourcefulness isn't just a skill; it's a superpower in today's world. It's the hallmark of high-agency individuals.

But what exactly does it mean to be high agency? Imagine this: when someone tells you something is impossible, do you accept it as the final word, or does it ignite a mental brainstorm on how to overcome the obstacle?

Here's another perspective, inspired by Conor Dewey's "Barrels vs Ammunition" model:

Think of people as either ammunition or barrels. In any organization, you can have endless ammunition, but if you only have five barrels, you're limited to five simultaneous actions. Add another barrel, and suddenly, you're capable of six. Those barrels – the ones that can take an idea from inception to flawless execution – are rare gems.

High agency people are like those barrels. They don't just follow; they lead. They inspire their teams, navigate through challenges, and adapt without waiting for directions.

George Mack published a few other ways you can spot high-agency people:

- **Prison Escape:** If you're in a 3rd world prison cell and had to call someone to get you out, who would you call? That's the highest agency person you know.
- **Energy Distortion Field:** A person is high agency if you meet with them when you're tired and defeated and you leave the room ready to run a marathon on a treadmill with max incline. Low-agency people do the opposite.
- **Unpredictable Opinions:** The poet who's also a boxer, the advertiser fascinated by war history, the beauty queen engrossed in Nietzsche. When someone's interests defy stereotypes, they're likely exercising high agency.
- **Niche Content:** Low agency people look at the social engagement of content before deeming its quality. High-agency people just look at the content. They spot upcoming trends very early.
- **Honesty Against the Tide:** It's easy to conform to social niceties, but high agency people often go against the grain. They are mean to you on your face, even if uncomfortable, but will not say anything against you behind your back.

In short, when your friend says "they know a guy" that guy is high agency. Usually. Potentially, could be a criminal. But with high agency.

4.

Creative Momentum

Inner Scorecard

Would you rather be the world's greatest lover, but have everyone think you're the world's worst lover? Or would you rather be the world's worst lover but have everyone think you're the world's greatest lover?

This is the underlying idea behind inner scorecard.

As humans, we pursue status, ego, and hierarchy. Problems arise when we start compromising our own standards, those we have set for ourselves, in order to earn the admiration of others.

Problems come when we choose to focus on what others think and see versus reality.

Warren Buffett says that the big question about how people behave is whether they've got an Inner Scorecard or an Outer Scorecard. It helps if you can be satisfied with an Inner Scorecard.

If Buffett was setting his clock externally — living by the standards of others — he would not have been able to maintain the independence of mind that led him to avoid a number of financial bubbles and tremendous personal misery.

Here's a nice way to think about Inner Scorecards, provided by Shane Parrish:

The little mental trick is to remember that success, money, fame, and beauty, all the things we pursue, are merely the numerator! If the denominator — shame, regret, unhappiness, loneliness — is too large, our "Life Satisfaction Score" ends up being tiny, worthless. Even if we have all that good stuff!

But the big things—how we think, what we value—those you must choose yourself. You can't let anyone—or any society—determine those for you.

Morrie Schwartz

People who lack self-accountability tend to run on autopilot. This is the exact opposite of commanding your own life. These people constantly succumb to external pressure: seeking rewards, avoiding punishments, and measuring themselves against other people's scoreboards.

Focused vs. Diffuse Modes of Thinking

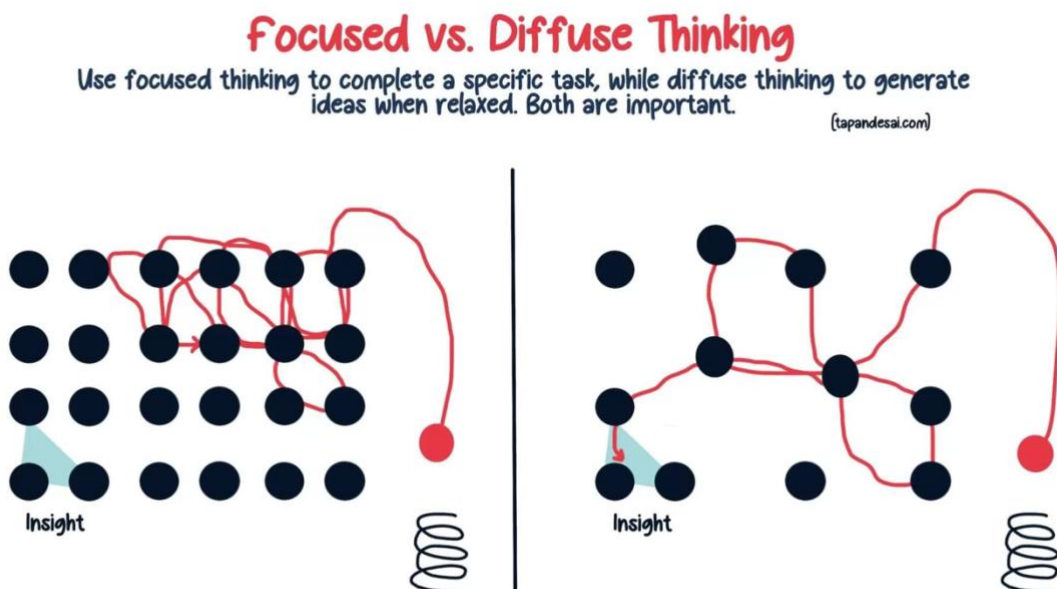
Imagine this: You are Sherlock Holmes, immersed in a perplexing murder mystery on a cold London night. Clues are scarce, and the perpetrator is nowhere to be found – an enigma within an enigma. Intriguing.

However, you find yourself at an impasse, devoid of solutions.

You retreat to your cosy study and begin playing your violin. As the soothing music permeates the room, your thoughts start to wander away from the case's specifics. Suddenly, it clicks – you've identified the murderer!

Seen this occur in Sherlock before? This is focus and diffuse modes of thinking in action.

Understanding focused vs. diffuse thinking is like understanding the workings of a perfectly balanced dance. They are not opponents; instead, they are partners in the cognitive ballet of problem-solving.



Focused thinking resembles a microscope's detailed scrutiny, helping us delve deep into specific issues. However, it sometimes restricts our perspective, narrowing our vision and ideas.

On the flip side, diffuse thinking acts like a wide-angle lens, capturing a broader image, albeit with somewhat blurred details. When we engage in diffuse thinking, our minds roam freely, connecting unrelated information, and leading to inventive insights and solutions.

A bird, for example, needs to focus carefully so it can pick up tiny pieces of grain as it pecks the ground for food, and at the same time, it must scan the horizon for predators such as hawks.... If you watch birds, they'll first peck, and then pause to scan the horizon—almost as if they are alternating between focused and diffuse modes.

Barbara Oakley

Understanding and applying the concept of focused vs. diffuse thinking can significantly boost your productivity and creativity. Here are ways to employ both in your daily life:

- Utilize focused thinking for learning new concepts or analysing intricate details. Force yourself to switch to the diffuse mode for brainstorming or gaining a fresh perspective.
- When faced with a challenging problem, work on it, then take a break and engage in a relaxing activity. This strategy, known as the Pomodoro Technique, involves focused and diffuse thinking.
- Activities like doodling, showering, daydreaming, or playing a musical instrument stimulate diffuse thinking, encouraging creative insights.
- Regular exercise, a balanced diet, and sufficient sleep facilitates both focused and diffuse thinking.
- Doom scrolling is actually taxing your mind. When you pick up your phone in between work to “take a break” or “relax”, you’re not actually taking a break or relaxing. You’re taking in inputs which trigger thoughts that put you in focus mode consequently affecting your mood. If you want to take a break or relax, let yourself be bored, and sit alone quietly.

Two Day Rule

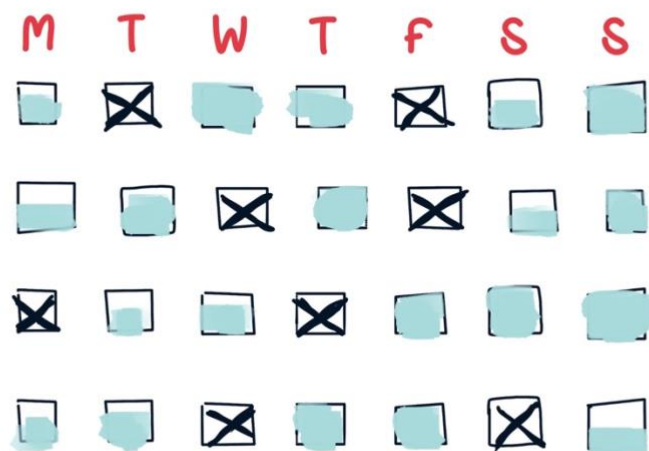
I was introduced to the Two Day Rule by Matt D'Avella and in fact, it's one of the reasons I started reading consistently.

The Two-Day Rule is a simple approach to maintaining progress in any area of your life: **Don't allow yourself to take a break for more than one day in a row.**

The Two Day Rule

When working towards any goal, never skip working on it for more than one consecutive day.

(tapandesai.com)



If you want to start reading, you can't skip more than one day. If it's working out, you must go to the gym every alternate day. At minimum.

You don't skip on your goal for two days in a row.

Once you start doing this, habits start stacking up.

Chauffeur Knowledge vs. Real Knowledge

Back in 1918, having just bagged the Nobel Prize in Physics, Max Planck was embarking on a lecture tour across Germany. His presentations centred around the fresh concept of quantum mechanics, and he would repeat the same speech at every stop.

Eventually, Planck's chauffeur, having listened to the lecture time and again, proposed a fun idea. "Professor Planck, delivering the same speech must be monotonous. How about I take the reins in Munich and deliver the speech?"

Planck said, "Why not?"

Dressed to the nines as Planck, the chauffeur amused the audience with an articulate lecture on quantum mechanics, with the real Planck sitting nonchalantly in the first row, donning his chauffeur's hat.

After the speech, another physics professor stood up and asked a perfectly interesting question. The chauffeur pretending to be Max Planck said, "Well I'm surprised that in an advanced city like Munich, I get such an elementary question. I'm going to ask my chauffeur to reply."

I am unsure if this really happened, but the point of the story is not the quick-wittedness of the protagonist, but rather — to echo Richard Feynman — it's about making a distinction between knowing the name of something and knowing something.

There are two types of knowledge:

- Real knowledge: This can't be bought off a shelf or copied. It's the fruit of earnest, relentless effort. It is a mark of individuals who have dedicated substantial time and sweat to comprehend a subject. These individuals have climbed the 'Slope of Enlightenment' from [the Dunning-Kruger Effect](#).
- Chauffeur knowledge: This is memorized or mimicked knowledge that lacks genuine understanding. It's an act, an impression of wisdom without substance.

True experts recognise the limits of their knowledge and admit when they don't know something.

So, you have to beware of people of chauffeur knowledge; don't confuse showmanship with genuine expertise. The brilliant Richard Feynman had a name for them: pompous fools.

Ordinary fools are all right; you can talk to them and try to help them out. But pompous fools - guys who are fools and are covering it all over and impressing people as to how wonderful they are with all this hocus pocus – THAT I CANNOT STAND!

Richard Feynman

You can read all the Wikipedia summaries you want, but they won't give you a holistic understanding of an idea. That only happens once you have a layered, three-dimensional perspective, which writing helps you achieve.

You cannot become a Michelin star chef just by watching YouTube videos.

The more pressure people feel to have an opinion on every subject, the more chauffeur knowledge there will be. In that state of intellectual insecurity, people rush to judgment. When they do, they abandon the philosophical mode of thinking. In turn, they become slaves to fashionable ideas and blind to unconscious assumptions.

Stealing from Comfort

The below idea is copied from Derek Siver's article called ['Where to Find the Hours To Make It Happen'](#):

When you experience someone else's genius work, a little part of you feels, "That's what I could have, would have, and should have done!"

Someone else did it. You didn't.

They fought the resistance. You gave in to distractions.

They made it top priority. You said you'd get to it someday.

They took the time. You meant to.

When this happens, you can take it two ways:

You could let that part of you give up. "Oh well. Now I don't need to make that anymore."

Or you could do something about that jealous pain. Shut off your phone, kill the distractions, make it top priority, and spend the time.

It takes many hours to make what you want to make. The hours don't suddenly appear. You have to steal them from comfort. Whatever you were doing before was comfortable. This is not. This will be really uncomfortable.

The few times in my life I've made a real change like this, it felt awful on the surface. I wasn't shallow-happy about it. I wasn't smiling. I was annoyed and fighting it inside, but on the outside I did the work. And in the end, got the deeper satisfaction of finishing.

Hell Yeah or No

This framework is copied from Derek Siver's article called "[Either Hell Yeah! Or No](#)" and I first read it in Tim Ferriss' Tools of Titans.

Use this rule if you're often over-committed or too scattered.

If you're not saying "HELL YEAH!" about something, say no.

When deciding whether to do something, if you feel anything less than "Wow! That would be amazing! Absolutely! Hell yeah!" — then say no.

When you say no to most things, you leave room in your life to really throw yourself completely into that rare thing that makes you say "HELL YEAH!"

Every event you get invited to. Every request to start a new project. If you're not saying "HELL YEAH!" about it, say no.

We're all busy. We've all taken on too much. Saying yes to less is the way out

Good Enough is Fine

Jeff Bezos in his annual shareholder letter wrote that (also read [high velocity, high quality decision framework](#)):

Most decisions should probably be made with somewhere around 70 percent of the information you wish you had. If you wait for 90 percent, in most cases, you're probably being slow. Plus, either way, you need to be good at quickly recognizing and correcting bad decisions. If you're good at course correcting, being wrong may be less costly than you think, whereas being slow is going to be expensive for sure.

When you work on a project for some time (article, newsletter, or anything else), you start building expectations. As you keep working, you try to perfect it even further. That's human nature - you can always do better.

And then there comes a point when you have done some "good enough" work but it is not perfect. So, you chase perfection. In doing so, you end up delaying the project and keep working on it even further. As you keep working on it more, the point of perfection keeps rising and rising.

It results in a chase that never ends. As a creator, you will never think your work is complete. But it is important to let it go when you think it is "good enough".

Good Enough is when you know that the work isn't perfect, but it still respects the intellect of your audience. It's not exactly what you envisioned, but it's still damn good enough to deserve their investment of attention.

Waiting for the right time is seductive. Our mind tricks us into thinking that waiting is actually doing something.

It's easy to land in a state where you're always waiting ... for the right moment, for things to be perfect, for everything to feel just right. It's easy to convince yourself that you're not ready and if you wait for just a little longer then things will be easier.

Waiting rarely makes things easier. Most of the time, waiting makes things harder.

The right time is now.

Where The Wild Things Are

I learned about this framework from David Perell. David says, “Creativity always starts at the edge”. Essentially, ideas begin on outskirts and as they become mass-media, it loses its creativity. Originality.

There are three broad categories of information producers/consumers:

- The Diggers - they are surrounded by creative people. They are present when trends begin. They hold the key to Pandora’s Box.
- The Tourists - they borrow fringe ideas, clean them up, and present them to the mainstream consciousness. They are curious but feel responsible to share brilliant ideas from the web.
- The Masses - they find most of their ideas from the tourists and stay far away from the Diggers. They operate within clearly defined, well-mapped territories.

Informational advantages are found in obscure, hard-to-digest sources. As information moves from the boards of 4chan to the forums of Reddit to Twitter and Instagram and to the front page of the New York Times or Facebook, the signal to noise ratio increases and informational advantages disappear.

As ideas trickle from the fringe to the mainstream, their tone, tenor, and shape transform. **If you want creativity, stay at the edge. Follow the Diggers — they know where the wild things are.**

Work Like a Lion

Modern work culture is a remnant of the Industrial Age (so is the education system). It encourages long periods of steady, monotonous work unsuited for the Information age.

If your goal is to do inspired work, you have to work like a lion, not a cow.

This idea was popularised by Naval Ravikant.

You need to work in short, creative, powerful bursts like a lion hunts. You shouldn't work at a slow, tedious, monotonous pace like a cow chewing cud.

But don't take it out of context, he does specify that you need to be working on the right thing and with the right people. AND you will have to work hard.

However, people who say they work 80-hour, or 120-hour workweeks often are just status signalling. Nobody really can work for 120 hours with high output mental clarity.

The way people tend to work most effectively, especially in knowledge work, is to sprint as hard as they can while they feel inspired to work, and then rest. They take long breaks. You sprint and then you rest. You reassess and then you try again. You end up building a marathon of sprints.

I have noted that inspiration and motivation is perishable. When you have inspiration or motivation, act on it right then and there. Impatience with actions, patience with results.

Anything you have to do, get it done. Why wait? You're not getting any younger.

You don't want to spend your life waiting in line. You don't want to spend it traveling back and forth. You don't want to spend it doing things that aren't part of your mission.

When you do these things, do them as quickly as you can and with your full attention, so you do them well. Then be patient with the results because you're dealing with complex systems and a lot of people.

The Noah Rule

You've got a brilliant product idea, but the perfect name for your business eludes you. Or maybe you've been daydreaming about launching that YouTube channel, yet your calendar remains perpetually packed for weeks on end. Perhaps you've been refining your website for months, tirelessly tweaking it, all to create that flawless call-to-action that will make your newsletter subscribers soar. Do any of these scenarios strike a chord?

If this sounds familiar, you're not alone. You, my friend, are caught in the sneaky grip of procrastination. It's a common problem we all face, but there's hope!

In his [2001 shareholder letter](#), Warren Buffett introduced a potent and enduring concept – the Noah Rule.

He stated, **“Predicting rain doesn't count, building arks does.”**

Warren Buffett's Noah Rule

Don't just anticipate the storm, build your ark.

[tapandesai.com]



It simply means “action matters more than prediction.”

Buffett admitted that during Berkshire Hathaway's most tumultuous year, he had anticipated risks but failed to take decisive action.

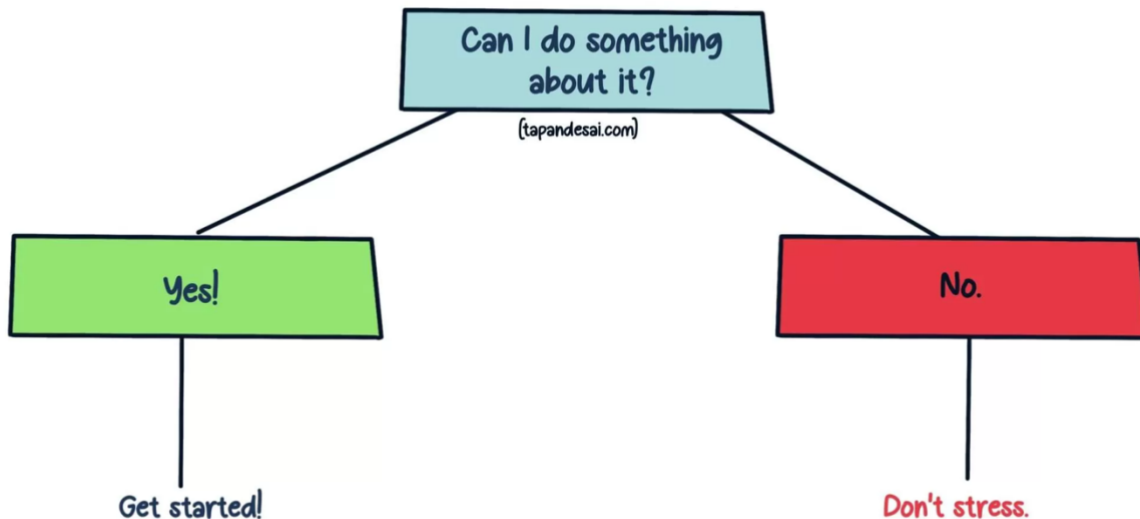
Buffett penned this revelation in the shareholder report to highlight the critical error he made that year. Berkshire Hathaway endured a disastrous year, further worsened by the tragic events of 9/11. Buffett revealed that he had actually foreseen many of the market events preceding that fateful day. However, he “didn't convert thought to action,” thereby violating the Noah Rule (he had anticipated the rain but neglected to build an ark).

Embracing action equips you to weather the storm, whereas idle talk without action leaves you exposed to harsh consequences.

Similar to Warren Buffett's framework of [Circle of Competence](#), the wisdom of the Noah Rule transcends the world of finance and can be readily applied to your personal and professional life. Whenever you find yourself hesitating, procrastinating, or doubting your ability to act, remember Buffett's sage advice: “Predicting rain doesn't count, building arks does.”

Focus on taking meaningful, decisive action, even in the face of uncertainty, and you'll find yourself navigating the storms of life with confidence and resilience.

When you're not making progress, you can start by simply asking, can I do something about it?



Picasso's Bull

Malcolm Gladwell in his book *Outliers* made the 10,000 hours model really famous.

Ten thousand hours is the magic number of greatness, said Malcolm Gladwell.

He continues,

- A study found that most accomplished violin students had put in 10,000 hours by the time they were 20.
- The Beatles put in 10,000 hours of practice by the early 1960s before they became famous.
- Bill Gates put in 10,000 hours of programming before establishing Microsoft.
- Put in your 10,000 hours of practice and become an expert in a given field.

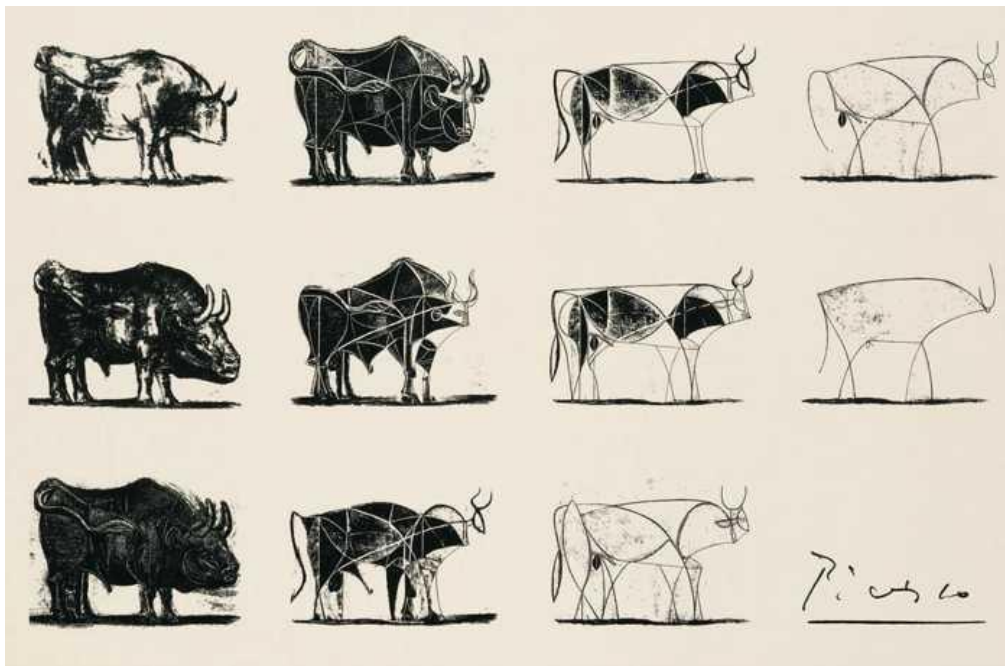
But you can see the issue, right? Gladwell overlooked multiple factors contributing to the success of these people. It's not just about the hours!

I have read for 10,000 hours but I am still not an expert.

The number and quality of iterations are important!

The path to success: Quantity brings quality.

Pablo Picasso's The Bull Series is a great reminder to improve with every iteration. You can see in the bull series that with each iteration, the quality of the sketch improved.



Deep Fried Broccoli

You are what you consume. Garbage in = Garbage out.

The idea of deep-fried broccoli is explained in the book, You Are What You Read, by Jodie Jackson.

Academic papers, thoroughly researched articles, books, and insightful documentaries are like broccoli for the brain - crucial and beneficial but sometimes bland, boring, and hard to swallow.

The news, social media, and clickbaity articles are like deep-fried broccoli served with southwest mayo. They are palatable, easy to consume, and exciting, but no longer of much value. In fact, they do not even really offer the benefits of broccoli anymore.

So, ask yourself: Are you consuming fresh broccoli in your salad or a bowl of deep-fried broccoli?

About the Author



Tapan Desai works in tech, writes, cooks, and washes dishes. Born and raised in Mumbai, Tapan has spent a few years of his life in New York City, before settling in London.

He also writes on tapandesai.com and publishes a 2x monthly newsletter called Monthly Mulling. Tapan shares high-signal ideas simplified through stories. His newsletter has created a like-minded curious tribe of individuals that help each other grow.

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