

Dobelli, Rolf – The Art of Thinking Clearly

HarperCollins Publishers, 2013, [Behavioural Finance] Grade ★★★★★

We don't know what makes for a successful investor or the key to happiness, however we do know what does not. In the words of Warren Buffett: "Charlie and I have not learned how to solve difficult business problems. What we have learned is to avoid them". The method of illuminating a topic by stating what it is not is called *via negativa* and is one adopted by Rolf Dobelli in this very readable anthology of cognitive errors. Dobelli is a Swiss author and entrepreneur with a keen interest in business, psychology and the shortcomings of human cognition. Dobelli founded Getabstract.com and is the founder of Zurichminds.com as well as a member of Edge.org. Through his best selling book he has become a respected public intellectual. Some of the readers will recognize Dobelli from his essay entitled *Avoid News* which is a manifesto arguing the limited value of reading the news in making sense of the world. One of the key individuals Dobelli credits in his book is Nassim Taleb and followers of Taleb are likely to enjoy and derive value from this book.

This is not an investment book in the strict sense of the definition. However to the extent that good investing requires a disciplined application of rational thought, this book offers a rigorous checklist of possible cognitive errors to avoid. Dobelli is not so naïve as to argue that we can rid ourselves of our cognitive errors. But just like a good investor needs to make the right judgments a little over 50 percent of the time to generate alpha, if we can eliminate at least some of our faults, we are already well ahead of the pack. The book draws heavily on the most recent findings from psychology, behavioral economics and neuroscience to develop an extensive list of cognitive fallacies. There are lots of good books out there on the flaws in our thinking, Daniel Kahneman, Robert Cialdini, Dan Ariely and Nassim Taleb. This book while

perhaps not as comprehensive or theoretical as other books in the category, makes up for it with the breadth of the issues covered, the lucid structure, colorful stories, lively examples, and catchy subtitles. Many of the topics the book covers I falsely assumed (overconfidence) I had internalized from reading Kahneman, Ariely or Taleb. However most became much more obvious and applicable to me after reading this book.

The book is a comprehensive collection of 99 short chapters with an introduction and prologue, each covering a single cognitive flaw. There is no discernable order to the chapters nor does the author attempt to rank errors by their severity or importance (context determines that). Each chapter is no more than 2-4 pages. Topics include issues such as Selection Bias, Overconfidence Effect, Domain Dependence but come with poignant titles such as *Why You Identify with your Football Team: In-Group Out-Group Bias*. At times the book reads as if passages have been lifted from other sources but this is inevitable when you cover so many topics that have already been written about by others.

This book covers popular but highly relevant topics of psychology and behavioral economics. The value in the book is not in the depth with which issues are covered but by its breadth. Those who have internalized Taleb and Kahneman are unlikely to get much out of this book, other than some entertaining narratives and seeing so many issues covered in a single treatise. After reading the book and getting caught up in the *Halo Effect* (chapter 38) I downloaded the *The Art of Thinking Clearly* app (\$1.99), which I do not recommend doing. Nevertheless the book is hard to put down and is one to pick up from time to time to remind ourselves of our fallibility.

Henry, Makansi, January 7, 2015