Shortcuts in Economic Choice

Economics

The mental shortcuts, and the errors they systematically produce.

Heuristic and its characteristic error.

Heuristic	Shortcut	Error
Availability	Judge by ease of recall	Overweight vivid, recent events
Representativeness	Judge by resemblance	Ignore base rates
Anchoring	Adjust from a starting number	Insufficient adjustment
Affect	Judge by feeling	Risk and benefit seen as inverse

These are not signs of stupidity. They are efficient rules that misfire in specific, identifiable situations.