



Gallup Pakistan's Behavioral Insights

A monthly newsletter on Behavioral Economics

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Reading Time: 10 minutes

Welcome

to Gallup Pakistan's 2nd edition of a series of monthly Behavioral Insights Newsletter. In this series, we principally aim to encourage an empirical understanding of Behavioral Economics and its related topics. *By disseminating international and local research findings, Gallup Pakistan aspires to create a knowledge hub that people in Pakistan can benefit from. In this regard, we would be borrowing extensively from external sources to keep our readers updated of the latest developments in this sector.*

This edition will explain the dual system of thinking- System 1 and System 2 - that the human mind uses for decision making. The first section focuses on explaining System 1 and System 2 and the concepts associated with it using illustrative examples and research findings. This would help the readers acclimatize to the terms and help them better understand articles in future newsletters. The next section gives a quick overview of what has been covered in the two newsletters so far .

Your valuable suggestions and ideas are much waited for and appreciated. We are also open for partnerships with other teams working in similar domain. Please feel free to write to us at caf@gallup.com.pk.

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Tale of two characters in our Mind: **System 1** & **System 2**



When people look at the man in the picture below, they instantly think that the man is looking angry. Even though they do not intend to assess his mood, but it just happens to them. This is an instant of **fast thinking**!

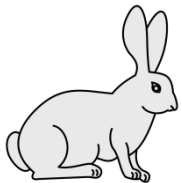


Now, when people are asked look at these numbers below, they immediately know that this is a multiplication problem, and probably know that they can solve it with pencil and paper. But a precise solution does not come to their mind. They experience **slow thinking**!

$$17 \times 24$$

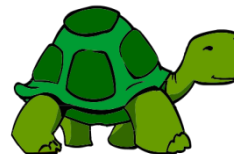
These two examples can be explained by the Dual-System Theory of Human Thinking:

- **System 1:** operates automatically and quickly, with little or no effort and no sense of voluntary control
- **System 2:** allocates attention to the effortful mental activities



System 1

- fast thinking
- operates automatically and quickly
- no sense of voluntary control



System 2

- slow thinking
- allocates attention to the effortful mental activities

Plot Synopsis

1

Systems 1 and 2 are both active whenever humans are awake.

2

System 1 runs automatically and System 2 is normally in a comfortable low-effort mode.

3

System 1 continuously generates suggestions for System 2 - impressions, intuitions, intentions and feelings. If endorsed by System 2, impressions and intuitions turn into beliefs, and impulses turn into voluntary actions

4

When System 1 runs into difficulty, it calls on System 2 to support and also provide self-control

5

The arrangement works well most of the time because System 1 is generally very good at what it does.

6

System 1 has biases, however, it sometimes answers easier questions than the one asked.



7

Also System 1 cannot be turned off.

Lazy Controller

One of the main functions of **System 2** is to **monitor** and **control** thoughts and actions “suggested” by **System 1**.

But, System 2 follows the **Law of Least Effort** – when presented with a judgement or choice, follows the path that requires least cognitive effort.

For example, consider this simple puzzle . People were asked not to solve this puzzle but to answer with their intuition:

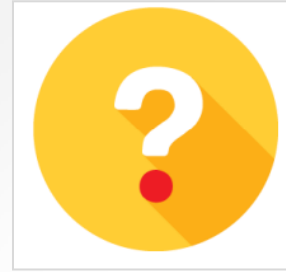
*A bat and ball cost \$1.10.
The bat costs one dollar more than the ball.
How much does the ball cost?*

The number that comes to most people ‘s mind is number **10**. However, the answer is intuitive, appealing, and wrong. The correct answer is **5 cents**. Among thousands of students at Harvard, Princeton and MIT, **half** of them said 10 simply because **System 2** was **lazy**!

Here’s another puzzle to consider!

*If it takes 5 machines 5 minutes to make 5 widgets,
how long would it take 100 machines to make 100
widgets?*

Again, when people answer the question intuitively, the instant answer that comes to mind is 100 minutes . However, this answer is wrong and the correct answer is 5 minutes!

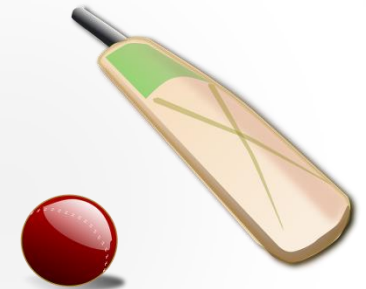


CAN YOU SOLVE THESE PUZZLES?

❑ PUZZLE 1:

A bat and ball cost \$1.10.

The bat costs one dollar more than the ball.
How much does the ball cost?



❑ PUZZLE 2:

If it takes 5 machines 5 minutes to make 5 widgets, how long would it take 100 machines to make 100 widgets?



Answers:-Puzzle 1: five cents, Puzzle 2: five minutes

The Associative Machine

Associative thinking can be described by using the following two examples. In the first experiment, people were asked to describe the picture that first comes to their mind when they look at these words:

Bananas
Vomit

Human mind **automatically** assumes a **causal connection** between these words, forming a sketchy scenario in which ***bananas caused vomit*** and different concepts and words associated with vomit and bananas come to mind – sick, stink, nausea, yellow etc.. All this happens quickly in the mind's System 1.

Here is another example to illustrate the effect. In this experiment, people were divided into two groups. First, Group 2 was asked to close their eyes and Group 1 was shown the following list of words :

ashw
rete
dirb
eanc

They were then asked to fill in the blank of the word 'SO_P.'

S O _ P

Similarly, Group 1 was asked to close their eyes and Group 2 was shown a different list of words and asked to fill in the letter for the word 'SO_P':

luf
lowref
dreab
inwtre

Group 1 filled in the blank with an 'a' to read it as **SOAP** while Group 2 used 'u' to fill in the blank to form the word **SOUP**.

S O A P

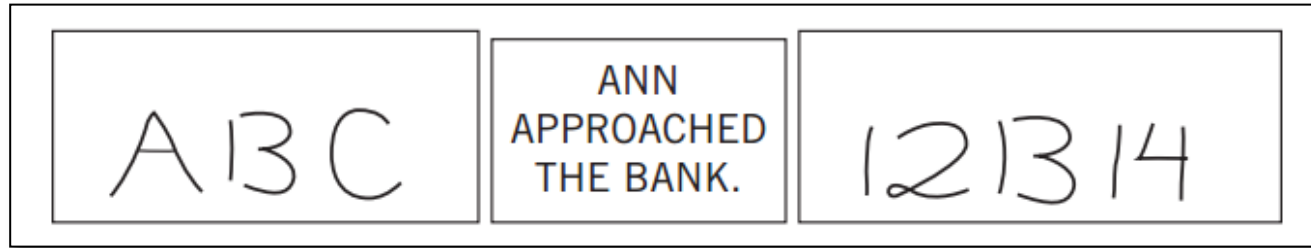
Group 1: Chose 'A' to fill in the blank

S O U P

Group 2: Chose 'U' to fill in the blank

Hence, simply by showing two different lists of words, people associated the letter they see first that fits with the word 'SO_P'.

Jumping to Conclusions



When people are shown this image, they are quick to read the characters as ABC and 121314, even though the shapes are ambiguous and can be read as A 13 C and 12B14 respectively. System 1, however jumps to a conclusion immediately as the **context** of the image determined the **interpretation**. Their mind made a definite choice, and they did not even know it.

Halo Effect

The tendency to like or dislike everything about a person-including things-people have not observed, increases the weight of first impressions! Consider an example where people were asked to choose whom they would want to be friends based on the descriptions of two fictional characters.

Which one would you prefer to be friends with
Alan or Ben?



Alan: intelligent – industrious –
impulsive – critical – stubborn
envious



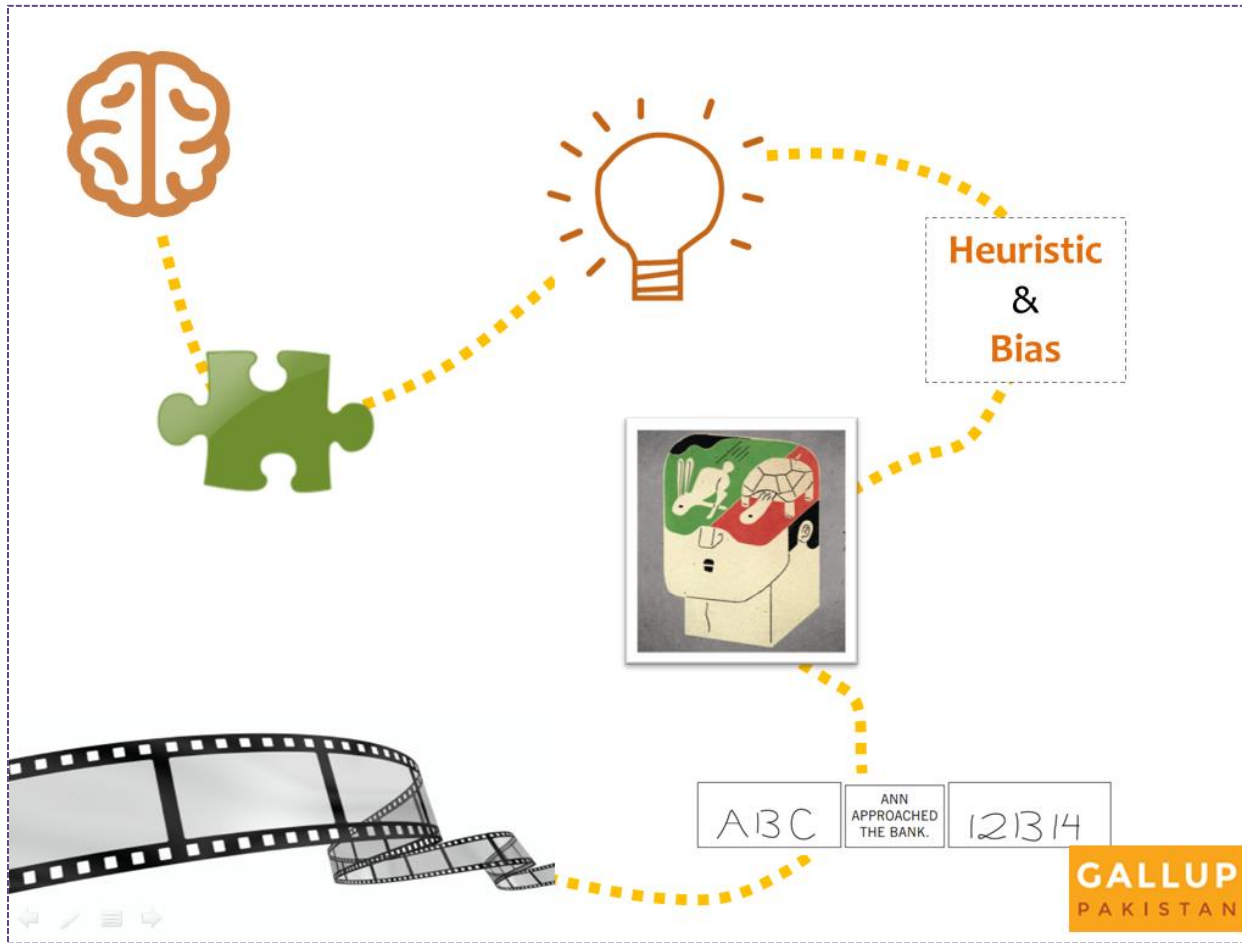
Ben: envious – stubborn – critical
– impulsive – industrious –
intelligent

Majority of the people wanted to be friends with Alan, however, surprisingly enough both Alan and Ben have exactly the same words in their descriptions. A difference only in the order of the words and a first positive word, made people choose Alan. Hence, the measure of **success** for **System 1** is the **coherence** of the story it manages to create, ignoring the quality and quantity of data!



Quick Summary

A summary of what has been covered so far in Gallup Pakistan's Behavioural Insights.



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