Annie Duke - Thinking in bets

3. Bet to Learn: Fielding the Unfolding Future

Outcomes are feedback

The story is about a man named Nick the Greek who had a bad poker strategy but never learned from his bad results.

- Learning occurs when you get lots of feedback TIED CLOSELY IN TIME to decisions and actions
  - 👍 And poker should be ideal field because you get IMMEDIATE feedback!
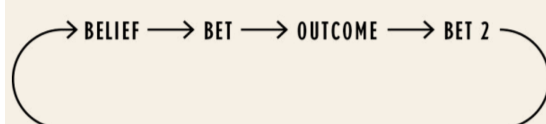   - 👎 But, only some students listen to their teachers

BETTING ON A FUTURE
BELIEF ⟶ BET ⟶ (SET OF OUTCOMES)

- Aldous Huxley: "Experience is not what happens to a man; it is what a man does with what happens to him"
- 👍 We should learn on outcomes!

LEARNING LOOP 1
→ BELIEF ⟶ BET ⟶ OUTCOME ⟶ BET 2

- But information is incomplete
  - ⚠️ Any single outcome can happen for multiple reasons
    - There are many circumstances unknown to us

Luck vs. skill: fielding outcomes

- ⚠️ Everywhere we have elements of both:
  - Skill — We have control over to
  - Luck — We have no control over it

LEARNING LOOP 2
→ BELIEF ⟶ BET ⟶ OUTCOME ⟶ LUCK ↗ / SKILL

- In order to learn we should
  - 👍 focus on experiences that have something to teach us (skill)
  - 👎 and ignore those that don't (luck)

It is hard to distinguish Luck from Skill

- There was a company called SnackWell in the 90s that offered low fat foods as a healthy choice and it was very popular.
  - Now we know that low fat food is an unhealthy choice
    - But it's obvious looking back NOW
    - But in the 90s it wasn't so obvious
      - Even if you have gained weight
        - ⚠️ Because outcomes don't tell us what's our fault and what isn't

- SELF-SERVING BIAS — We often mistakenly think that
  - our negative outcomes are due to Luck
    - 👎 we miss opportunities to see where we could have done better
  - 🙂 our positive outcomes are the result of our superior Skill
    - 👎 we often reinforce decisions that shouldn't be reinforced

- Black-and-white thinking (only two options: 100% right or 100% wrong)
  - supports self-serving bias too

Self-serving bias prevents learning from our experience. But maybe we can learn by observing others (learn from the other people's experience)?

- Yes. There is an entire industry devoted to collecting other people's outcomes.
  - 👍 Harvard Business Review or any similar case studies
  - An important element of medical education is watching doctors perform medical procedures
    - They watch, then they assist . . . and then, hopefully, they've learned

- In poker, 80% of the time, experienced players are just watching!
  - And it is free (aside from any ante)
    - 👍 And in real life, watching others is usually free. They pay, we don't. There's a lot of free information out there.

- ⚠️ Unfortunately, learning from watching others is just as fraught with bias
  - Inverted self-serving bias — We think that
    - 👎 bad outcomes are clearly their fault
    - 👎 good outcomes are because they got lucky

Other people's outcomes reflect on us

- 👎 If something is good for someone, then it is bad for us, and vice versa
  - In poker or other zero-sum games it is obvious
  - It's not so obvious in real life and in other games, but it's in our genes.
  - ⚠️ Our happiness depends on how we're doing COMPARATIVELY

- Be a truthseeker, strive toward accuracy and objectivity
  - Give others credit when it's due
  - Admit when our decisions could have been better
  - Acknowledge that almost nothing is black and white

How to reshape our bad habits

- *A story about Phil Ivey, a poker player, who after winning a tournament*
  - *instead of talking about how great he played*
  - 👍 *was discussing with a fellow pro where he might have made better decisions*

- Habits operate in a neurological loop consisting of three parts:
  - 1. the cue
  - 2. the routine
  - 3. the reward
  - To change a habit, you must keep the old cue, and deliver the old reward
    - but insert a new routine!

- TODO: set the bar higher
  - 👍 Be a better credit-giver than your peers
  - 👍 Be more willing than others to admit mistakes
  - 👍 Be more willing to explore possible reasons for an outcome with an open mind
    - even, and especially, if that might cast you in a bad light or shine a good light on someone else

  - That will change the routine but keep the reward
    - You will feel exceptional!

- 👍 **Identifying learning opportunities that other players were missing made me feel good about myself, reinforcing my routine change**

"Wanna bet?" redux

- 👍 Treat outcome as a bet
- 👍 Imagine someone else's outcome as your own
  - To remove inverted self-serving bias
    - "What if that had happened to me?"
- 👍 Imagine your outcome as someone else's
  - To remove self-serving bias