



Factfulness: Ten Reasons We're Wrong About the World and Why Things Are Better Than You Think

Author: Hans Rosling with Anna Rosling Rönnlund and Ola Rosling

The fact is that most people tend to have highly inaccurate views of the world we live in. As humans, we tend to have a proclivity towards the negative and bad things. As a result, when asked simple questions about global trends, we systematically get the answers wrong and view the world to be a much worse place than it actually is. In the brilliantly written Factfulness, the authors present 10 dramatic instincts that distort our perceptions, as well as detailed facts and statistics about the real state of our world today.

Key Takeaways: The 10 Dramatic Instincts in a nutshell

1. The Gap Instinct: We tend to divide things into 2 distinct groups and imagine a gap between them.
2. The Negativity Instinct: We tend to instinctively notice the bad more than the good.
3. The Straight Line Instinct: When we see a line going up steadily, we tend to assume the line will continue to go up in the foreseeable future.
4. The Fear Instinct: We tend to perceive the world to be scarier than it really is.
5. The Size Instinct: We tend to see things out of proportion, over-estimating (a) the importance of a single event/person that's visible to us, and (b) the scale of an issue based on a standalone number.
6. The Generalization Instinct: We tend to wrongly assume that everything or everyone in a category is similar.
7. The Destiny Instinct: We tend to assume that (a) the destinies of people, cultures, countries etc., are predetermined by certain factors, and (b) such factors are fixed and unchanging, i.e. their destinies are fixed.
8. The Single Perspective Instinct: We tend to focus on single causes or solutions, which are easier to grasp and make our problems seem easier to solve.
9. The Blame Instinct: When something goes wrong, we instinctively blame it on someone or something.
10. The Urgency Instinct: We tend to rush into a problem or opportunity for fear that there's no time and we may be too late.

The Gap Instinct

The gap instinct basically highlights the tendency of an individual to divide things into two distinct and often conflicting groups with an imagined gap in between them. Due to this imagined gap, things tend to look far more dissimilar than they might actually be. However, it is important to understand that while gaps do exist, they are seldom as wide as they are perceived to be. On the contrary, the reality is often not polarized at all. The majority usually occupies the middle space, between two extremes, right where the perceived gap lies. From that perspective, it is important to avoid relying too much on averages. More often than not, averages do not paint an accurate picture. On the other hand, it is also dangerous to compare two extremes. In all groups, of countries or people, there are some at the top and some at the bottom. The difference is sometimes extremely unfair. However, even in this case, the majority is usually somewhere in between, right where the gap is supposed to be.

The Negativity Instinct

As human beings, we usually have a tendency to notice the bad things more than we notice the good things. For example, most of us believe that things around us are getting worse when actually there is ample evidence to support that things are getting better. Thus, we seem to get negative news and information about bad events more often than we seem to get any updates on good events. When things are getting better, we simply don't hear about them. This gives us an impression that systematically things are getting worse which makes us very stressful. To control the negativity instinct, it is smart to simply expect the bad news. Convince yourself that things can get better and things can get worse. We simply need to take the bad with the good. However, it is important to understand that the news that is reported is almost always bad. More bad news is sometimes due to better surveillance of suffering, not a worsening world. Remember, the glass is always half full.

The Straight Line Instinct

We assume that status quo will always be maintained. We tend to assume that a straight line will continue in perpetuity or ignore that such lines are infact rare in reality. Thus, it is important to understand that the assumption that a line will just continue straight is a flawed one. To



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control the straight line instinct one must always remember that there can be curves as well. It is foolish to simply assume that a line will be straight. Most trends are not straight. Many trends can be S-bends, slides, humps, or doubling lines. For example, no child ever kept up the rate of growth it achieved in its first six months, and no parents would expect it to.

The Fear Instinct

Coupled with the negativity instinct, we also have a tendency to pay more attention to frightening things and then blow them out of proportion. One must become aware when frightening things come within the purview of our attention and remember that these things that frighten us are not necessarily risky or harmful. Our natural fears of violence, captivity, and contamination make us systematically overestimate these risks. To control the fear instinct, calculate the risks.

Fundamentally, risk is a product of danger and exposure. So, every time you recognise that a particular event or development can be risky, don't just automatically fear it. Instead, use your own filter, analyse the danger from the risk and understand how much you are exposed to it. Also remember that the world seems scarier than it actually is because what you hear about it has been selected, either by your own attention filter or by the media—precisely because it is scary. Thus, the best way to overcome the fear instinct is to calm yourself down, urge yourself to see the world differently and make as few decisions as possible until the panic has subsided.

The Size Instinct

This instinct focuses on our tendency to get things out of proportion, or misjudge the size of things (e.g. we systematically overestimate the proportions of immigrants). Thus, it is important to recognise that a lonely number can sometimes seem very impressive (small or large). However, if the same number was to be compared with or divided by some other relevant number, it might give you a diametrically opposite impression. The bottom-line is that to control the size instinct, you must see them as relative or in proportion. Comparison is integral to controlling this instinct. Big numbers always look big. Single numbers on their own are misleading and should make you suspicious. Always look for comparisons. Ideally, divide by something. For example, amounts and rates can tell very different stories. Rates are more meaningful, especially when comparing between different-sized groups. In particular, look for rates per person when comparing between countries or regions.

The Generalization Instinct

This instinct describes our tendency to paint everyone and everything with the same paint brush. We all make the mistake of assuming homogeneity ie. grouping together things or people, or countries that are actually starkly different from each other. Thus, it is important to be aware that categories are not always accurate and that the components of a particular category can actually be very different. Unfortunately, it is very difficult if not impossible for us to stop generalising. Thus, instead of trying to control generalisation, we must try to avoid generalising incorrectly. To control the generalisation instinct, question your categories. Look for differences within groups. Especially when the groups are large, look for ways to split them into smaller, more precise categories. Also, look for differences across groups and always be watchful of 'the majority'. When someone uses 'majority' it seems like a big deal. However, majority simple means 'more than half'. So, you need to look closer.

The Destiny Instinct

This is a very unique instinct. It propounds the idea that the natural characteristics of people determine their destinies, countries, religions, or cultures. The assumption here is that the things are as they are because of inescapable reasons. It would be wise to recognise that many things (including people, countries, religions, and cultures) appear to be constant just because the change is happening slowly, and remember that even small, slow changes gradually add up to big changes. To control the destiny instinct, remember that slow change is still change. Thus, it is important to keep track of gradual movements and understand that even small changes can lead to a big change over a



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period of time. The best way to combat this instinct is to update yourself with new learnings and knowledge. The thing about knowledge is that it tends to get obsolete very quickly. Considering that technology, countries, societies, cultures and even religion are constantly changing, it is important to keep yourself updated with these changes. Additionally, try to understand culture and values to recognise cultural change.

The Single Perspective

Most of us tend to focus only on a single cause or perspective (especially one that supports an existing belief) when it comes to understanding the world (e.g. forming your worldview by relying on the media alone). However, it is important to understand that a single perspective can limit your imagination and give you only a myopic view. It is always better to look at problem from multiple angles to get a better understanding of the issues at hand and to find practical solutions. To control the single perspective instinct, get a toolbox, not a hammer. While numbers are important, it is wise to avoid relying only on numbers. Everything in this world cannot be narrowed down to numbers alone. Be brave enough to think out of the box, to test your ideas, to fail and to rise again.

The Blame Instinct

Without doubt, most of us have a tendency to attribute a bad event or a negative development to some reason or another. The reason, however, might be completely accurate and have no bearing on the event. This is what is called scapegoating – finding someone or something to blame for something bad. Thus, to control the blame instinct, resist finding a scapegoat. Instead of looking for villains, start looking for causes. When something goes wrong don't look for an individual or a group to blame. Accept that bad things can happen without anyone intending them to. Instead spend your energy on understanding the multiple interacting causes, or system, that created the situation. Similarly, when something good happens, instead of attributing it to a single hero, give the system some credit. If you dig deeper, you will probably discover that the good outcome might have happened anyway, even if that individual had done nothing.

The Urgency Instinct

Simply put, this is the knee-jerk reaction that most of us tend to have in extenuating circumstances. This instinct describes our tendency to react immediately in the face of perceived imminent danger. Inadvertently, in doing so, we amplify our other instincts. Thus, it is important to understand that every time when a decision feels urgent, it might not necessarily be that time sensitive. To control the urgency instinct, take small steps. When your urgency instinct is triggered, your other instincts kick in and your analysis shuts down. In such a situation, take a deep breath and ask yourself to take more time and look for more information. Data gives confidence. Thus, look for more data. However, beware that data can be relevant but inaccurate, accurate but irrelevant. Only focus on relevant and accurate data.

The book is like a life lesson for all of us. However, for those who read it closely, it is also an investing lesson. Many of the instincts mentioned in the book mirror behavioural and other biases that investors often succumb to while making investment decisions. These instincts or biases can impact an investor's ability to make optimal portfolio decisions. For example, the blame instinct is evident in many investors who tend to blame others for bad investment decisions instead of acknowledging their own mistakes and learning from them. Similarly, the single perspective can impact an investor's ability to look at an investment option holistically, weighing the pros and cons. It tells us that it is important to analyze an investment from all angles before making an investment decision. Mutual fund investments can help investors overcome many of these instincts and behavioural biases and assist them in creating robust investment portfolios. Since mutual funds are professionally and systematically managed with clear rules and mechanisms, they can effectively mitigate the impact of such negative instincts and behavioural biases.

All Mutual Fund Investors have to go through a onetime KYC process. Investor should deal only with Registered Mutual Fund (RMF). For more info on KYC, RMF and procedure to lodge/redress any complaints – please visit on <https://www.edelweissmf.com/kyc-norms>