

Varona & Co Thought Leader Essay

Practical Example of Ex-Ante Decision Making

In the past two essays I talked about logical fallacies and Sigmund Freud's defense mechanisms. There are quite a few logical fallacies and defense mechanisms that are worth looking into.

This time, I want to talk about something called ex-ante decision making. That's a big sounding term, but in essence it's a way for you to think about the decisions you have made or the decisions you will make. So that you can judge with confidence whether or not it was a good decision.

In statistics there are two terms -- ex-ante and ex-post. Ex-ante means before the fact, and ex-post means after the fact. In this example, "the fact" is the decision we are going to think about.

In this example, ex-ante means everything we know before the fact, or everything we know before we make the decision. Ex-post refers to all the things we found out or all the things that happened after we made the decision.

Ex-ante decision making means that when we make a decision we should only think about the information we have before we make the decision. When deciding whether or not we made the right decision, we should ignore what happened after the decision, because we had no way of knowing these things as we were making the decision.

For example, you're an actor, and you're deciding whether or not to take an acting job. You look at the opportunity and see that it's a reputable studio, a good director, a great script, and a very good cast. Because of all these things, you decide to take the job.

After you accept the job, the director gets fired for some reason, he gets replaced by someone who is not as good, the script gets rewritten and the quality goes down by a lot, and most of the cast gets replaced. Unfortunately, this acting job we're talking about turned out to be pretty bad. However, the decision to take the job was the correct one, and you should feel confident you made the right decision. Simply because there was no way you could have predicted all the bad things that happened after you took the job.

It's important to remember this concept of ex-ante decision making, because sometimes we may regret a decision because it turned out pretty bad. But the decision turned out bad because of things you could have never predicted would happen. Because these things that happened were impossible to predict, you should feel confident you made the best decision possible with the information you had, when it was time to make the decision.

This is a great strategy to avoid regret about a decision, and to avoid thinking you made a mistake just because things didn't turn out how you expected. Just make sure to do your homework and look at all the information you have available to you before you decide so that you can remain confident you made the right decision.