



DIFFERENCES BETWEEN “SMART” AND “WISE” PEOPLE

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Having a high intellect doesn't guarantee you anything in life

In fact, some of the smartest people tend to do worse in life because their brain's processing power works against them.

On a long enough time scale experience and hard work tend to beat intelligence.

And experience and hard work can help teach you wisdom.

You'll learn that there are subtle differences between surface-level intelligence and the type of knowledge that'll help you improve your life.

These slight edges create disproportionate outcomes. Learn them, and you'll be set for the future.

1. Multi- Thinking

Intelligent people understand a lot about their domain or narrow level of expertise. Wise people draw from a wide variety of sources.

They know a little bit about a lot, which gives them the upper hand when dealing with people who are much more 'intelligent' than they are.

One of my favorite thinkers, Charlie Munger, talks about how much he loves spanking people in negotiations who have

a much higher IQ than he does but fails to see the blind spots in their thinking because they only have expertise in one area.

Many huge discoveries have been made by outsiders in certain fields. Why? Because their thinking is less rigid. Once you become an expert in a field, you begin to build an identity as an expert in the field, so changing your mind is difficult because you're not just changing your mind, you're undoing the reputation you built by changing your mind.

Multi-disciplinary thinking teaches you never to be too sure you know everything there is to know about a certain field because you know there are many variables involved.

2. The Ability to Deal With Confirmation Bias

Confirmation bias is the tendency to confirm what you already believe to be true while discarding any evidence that contradicts your beliefs. The funny



thing about confirmation bias? We've all heard of this term before and, of course, we attribute confirmation bias to the people we disagree with and not ourselves.

Wise people understand how much of an uphill battle it is to fight against their own confirmation bias. You're not objective. Neither am I. You're not rational. Neither am I. But we both think we are. We both think our view of the world is the correct one because it's...ours.

You'd think that being more intelligent would help you fight

confirmation bias, but it actually makes it more difficult. People with high intellect can create even more elaborate reasons to confirm their biases.

You see it online all the time — smart pundits with high intellects talking right past each other, pouring mountains of data and facts onto the other person while doing nothing to change your mind.

In your case, if you want to be wise, figure out whether your biases and belief systems are helping you. If your beliefs aren't helping you get the results you want, maybe you

should change them.

3. The Ability to Understand Reality

This is an extension of the point above. Many smart people have the major flaw of thinking they have an answer for everything or a fix to every problem in the world.

This utopian thinking fails to account for the harsh aspects of reality like human nature, incentives, agency problems, and second/third/nth order effects.

You see quite intelligent people creating policies and making

decisions that end up counterproductive.

Why? Their idealism blinds them to the realities of the world. Smart and idealistic people use the word 'should' a lot. They talk about the way things should be and describe how the world should work.

Wise people try to understand the way things are. Again, this is a goal no one can fully achieve because we all have our built-in biases.

You can aim for trying to be optimistic instead of idealistic. One of the hardest lessons for people to learn is that sometimes the best answer is to do nothing and leave things the way they are, even if they're not ideal, because of the potential trade-offs of 'doing something'.

4. The Ability to See Past the First Step

Nassim Taleb has a name for people with high intellect who fail to make smart decisions — The Intellectual Yet Idiot.

The IYI suffers from first-order thinking. They never think of the unintended consequences of their actions.

He cites the example of regime change wars. We'll decide to overthrow a dictator because he's bad, without seeing the second-order consequence of a power vacuum where even worse actors take over and circumstances get worse.

Or take an example like economic policies,

e.g., raising the minimum wage which can price people out of employment.

Thomas Sowell has a quote about this: "Increasing the minimum wage doesn't guarantee that any wage will be paid."

The point isn't to do nothing every single time but to mull over the potential consequences of your decisions. Wise people understand the interconnected nature of decision-making.

The outcomes of decisions never happen in a vacuum. The larger and more connected the systems, the more unseen unintended outcomes are possible.

5. The Ability to Understand Incentives

I should probably put this at number one because it's probably the most important concept for anyone to learn.

Incentives are as close as you can get to being able to see the future. Once you learn how to view the world through the lens of incentives, you can't unsee it.

Really, all of these 'themes of being wise' overlap with one another, but incentives might be the central piece.

Many intelligent people have this 'incentives blindspot.' They come up with elaborate and good-sounding solutions. They'll even use a bunch of data. But they don't look at the incentives underlying their plan and

are genuinely surprised at the results.

I have some famous examples I'd like to use here, but I don't want to ruffle any feathers. Let's just say a bunch of our major crises happened because people were incentivized to get short-term gains when long-term losses were hiding in the shadows.

Just remember the phrase 'If you know the

"Increasing the minimum wage doesn't guarantee that any wage will be paid."

incentive, you know the outcome.' Try to start predicting what people do based on the predicament they're in.

6. The Ability to Understand the Extent of Your Own Ignorance

Intelligent people think they know everything. Wise people know how much they don't know. Intelligent people are always certain of an answer.

A quick tell — if someone has an answer or solution to every complex macro problem, they're not wise because they can't resist the urge



to have an opinion on something.
Wise people can say “I don’t know” and admit which areas of understanding are above their paygrade.

Wise people would never actually call themselves ‘wise.’ You can be confident in your intelligence, but you can also remember that you’re not as much of a hotshot as you think you are.

The same goes for me. I’m just as prone to run off at the mouth about things I don’t quite understand fully. I can be a dilettante, too. I try to catch it as best I can.

Intelligent people with know it all syndrome have this particular issue — their brains work really well, they know a lot of trivial knowledge, and they have a bunch of good-sounding opinions, but they can’t get what they want.

7. The Ability to Get What You Want

This leads to my ultimate point. If you can’t get what you want from life, how smart are you, really?

If you can’t find happiness, meaning, and purpose, what use is your ‘intelligence’?

Wisdom comes from that process of banging your head against the wall trying to get what you want, failing over and over again, until you finally get it. Many intelligent people are scared of going through this journey.

If they fail, it disconfirms their identity

as a smart person. I see this happen to people all the time. They’re super smart, but their intelligence actually gets in the way. They begin to think of all the reasons they’ll fail.

And they look at failure as a sign of stupidity when it’s actually the purest source of wisdom available to us. I used to coast on my intelligence and avoid any situation that required me to use discipline and face failure.

I didn’t start to truly learn until I ran into situations that bruised my ego. Until I learned harsh lessons only pain can teach you.

Am I wise? I’m still trying to figure it out. I just know where wisdom tends to be and I keep trying to look for it every single day.

