Chapter Twelve: *The Burden of Thought*

by Nathan Polackwich

Shortsightedness must be ingrained somewhere in our collective DNA. Perhaps this is because for most of human history, people dealt solely with problems of the moment such as, “How am I going to get away from this bear?” It has only been in the last century or so that people have had to confront complex questions like whether they should pursue a new career in a burgeoning industry or how they should go about investing their 401(k)s. These questions defy easy answers because they involve a multitude of interrelating factors spanning years and sometimes decades. They’re mysteries.

Most people’s default way of dealing with such mysteries is to extrapolate the present into the future. If technology stocks have risen relentlessly in recent years, people simply assume they will continue to do so. If China has been rapidly gaining ground economically, people expect that their grandchildren will speak Mandarin Chinese.

That’s not to say the trends currently affecting our lives aren’t real and powerful. The Internet really did change the world; low interest rates, a strengthening economy, and Baby Boomers’ demand for second homes really did justify higher home prices; and developing countries like China and India really are growing by leaps and bounds, putting a strain on raw materials’ markets. But at some point the story takes on a life of its own, and rapidly ascending prices begin to far outstrip reality. Cracks in the story may even begin to emerge, but most investors take little heed, instead relying on powerful imagery to support their investment thesis. A mental image – of, say, a billion Chinese driving SUVs or the concept of “peak” oil – is used to justify the extrapolation. And the imagery becomes unquestioned conventional wisdom that keeps people from thinking independently. Adam Smith, quoting the social psychologist Gustav Le Bon, described this mentality in *The Money Game:*

> The crowd is suggestible to images, and what produces these images is ‘the judicious employment of words and formulas. Handled with art, they possess in sober truth the mysterious power formerly attributed to them by the adepts of magic.’ What Dr. Le Bon has in mind are words like ‘liberty’ and ‘democracy’ and ‘fifty four forty or fight,’ but perhaps ‘growth’ and ‘Xerox’ will do just as well. All that is necessary is to recognize ‘the magical power attached to those short syllables, as if they contained the solution of all problems. They synthesize the most diverse unconscious aspirations and the hope of their realization.’
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> All of this will be no news to many of the players of the Game. Wall Street unconsciously accepts this; the ‘image’ that a company or a stock presents helps its price, and can keep it up long after the rational factors of earnings and return on invested capital have begun to deteriorate. If a company has a reputation for ‘continuous innovation’ or ‘creating its own market,’ that is exotic fuel. The whole process keeps a lot of public relations firms in business.

I love the phrase “as if they contained the solution of all problems,” because it implies that, when affected by a powerful image, we say to ourselves “Aha! ‘Democracy’ (or ‘Allah’, ‘New Economy’, or ‘China’) is the answer! I no longer have to consider any other possibilities.” In other words, imagery helps relieve us of the burden of thought. And, of course, if we’re not thinking, we’re not adding anything to the wisdom of the crowd.