

Book Review

Morgan Housel (2020), a former columnist for the ‘Motley Fool’ and ‘The Wall Street Journal’ who won two times the ‘Best in Business Awards’ from the Society of American Business Editors and Writers, is the author of the book entitled *“The Psychology of Money: Timeless Lessons on Wealth, Greed, and Happiness”*. The book’s second edition was published in 2021, Jaico Publishing house, A-2 Jash Chambers, 7-A Sir Phirozshah Mehta Road Fort, Mumbai - 400 001, Pages 256, ISBN-978-93-90166-26-8; Price INRs.399/-

Housel presented the psychology of money as the most important and often counterintuitive feature in financial decision-making. The author provided examples of how people succeeded and failed in accumulating wealth in an American context. The author also claimed that financial / investment decisions are often made on personal experiences to make better sense of the most important matter of life i.e., money, based on factors like worldview, fear, and pride. The book consists of 20 chapters of short stories that convince the readers about the importance of soft skills rather than the technical side of money to become a successful investor. Some of the interesting stories are summarized below:

The first story deals with the necessity of being a genius versus simple behaviour skills and patient versus greedy to become wealthy. Only some behaviour skills could be applied in managing money without losing emotional control. Housel put forward the case of Ronald James Read, just a high school graduate, and Richard Fuscone, Harvard MBA, a successful businessman who was considered a philanthropist, investor, janitor, and gas station attendant. Read died in 2014 with over U.S. \$ 8 million net worth, whereas Fuscone was declared bankrupt. Read invested his savings in blue chip and waited for a decade, whereas Fuscone borrowed heavily to expand his home in Greenwich in 2000, hit by the financial crisis in 2008. The lesson learned in this story could be that ‘Saving and the capacity to wait for opportunity is more important than your ego in money matters.’

Money works vary widely from person to person. Housel termed it as crazy things people do with money. But he also claimed that no one is crazy. The financial decision might look crazy to one person but might make sense to other people. Often, people make decisions based on their own unique experiences, which make sense in a given moment.

Another story was on Bill Gates, telling how he got rich. Gates was smart, hardworking, a teenager, and well-versed in computers that most seasoned computer executives couldn’t grasp. Gates made friends with Paul Allen and Kent Evans in the school at Lakeside. All are obsessed with the school computer.

Gates was lucky to have the opportunity to join Lakeside, whereas Kent was unlucky in that he could not finish what he and Gates set out to achieve. Kent would have also been a founder of Microsoft with Gates and Allen if he had not died in a mountaineering accident. Both luck and risks are difficult to measure and hard to accept, thus, they are often overlooked. Giving luck and risks proper respect would be necessary to realize financial success. Thus, luck and risks are never as good or bad as they seem.

Naturally, the best financial skill is required to become wealthy. But the Housel also claimed that it is necessary for one to know what is enough for you. Otherwise, you will be chasing forever. Housel also puts forward the story of Rajat Gupta and Warren Buffet. They both already had unimaginable wealth, prestige, power, and freedom, even if they had done something different. The basic difference between Rajat Gupta and Warren Buffet is that Gupta threw it all away as he wanted more but had no sense of enough. Gupta took so many risks in the quest for more that they lost everything in 1998. But Warren Buffet's net worth before he took retirement on his 65th birthday was U.S.\$ 84.5 billion. The author stopped investing and played golf, and spent time with his grandchildren with just U.S. \$ 11.9 million (0.1%) of his net worth. A lesson learned in this story could be "The ability to be happy every morning when you wake up is the highest form of wealth in life."

Sometimes, a good financial decision is not necessarily a good investment only; it is also a decision about consistently not screwing up. Housel's next story is about Jesse Livermore, a greatest stock market trader, and Abraham Germansky, a real estate developer. By 1929, Livermore was one of the prominent investors in the world. In 1920, Germansky made a fortune through his real estate business. In the 1920s, Germany bet heavily on the surging stock market. The stock market crashed in October 1929. Over a third of the stock market's value was wiped out in a week. Later, it is named 'Black Monday,' 'Black Tuesday,' and 'Black Thursday.'

Wall Street speculators spread the news about Jesse committing suicide across New York. An article published in the 'New York Times' portrays a tragic ending of Germansky. According to biographer Tom Rubython, Jesse pulled the money from the market, guessing the stock market would decline, and later made the equivalent of more than \$ 3 billion in one day. The 1st October 1929 crash made Jesse Livermore one of the richest men in the world, and it ruined Abraham Germansky. The lesson learned in this story could be 'Success, as an investor, will be determined by how you respond to punctuated moments of terror, not the years spent on cruise control'.

Overall, each of the 20 chapters in this book provides timeless learning through short stories. The essence of the book is about how you behave with your money. Doing well with money is often not necessarily what you know about it.

Behaviour is the hardest to teach, even to smart people. Financial success is not a 'Hard Science.' It's a soft skill determined by how you behave and the meaning you give to your decision, largely based on your experiences during your teens and early adult years. Everything in life comes with a price, especially from the outside, but often, such a price isn't obvious. It only becomes apparent when we experience them first-hand. Thus, for success, it is necessary to work long hours, sacrifice your social life, and even compromise your health.

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