

Unwealth: *The Happy Peasant & the Frustrated Achiever*



Dear Reader,

Thank you for taking the time to read about our insights through *Perspectives*. Before you continue reading, I would like to offer a small disclaimer: If you are looking for a broad list of statistics related to investment performance, a slew of research credentials, or a how-to guide of some sort, you will be disappointed. The insights that we present within this paper are not heavily researched, or supported by more than our personal experiences and related observations. Through the process of composing these commentaries, we have learned a great deal about the subject. Our intention is to be successful in adding some measure of value to your own views and hopefully allow you to see the subject a little differently than you did before.

We are always open to feedback and discussion and welcome all questions, comments, or rebuttals. We can be reached by telephone at 905.764.5465 or via email through contact@millstreetco.com.

Handwritten signature of Noah Murad.

Noah Murad
CEO



“**W**ealthy’ is meaningless and has no robust absolute measure; use instead the subtractive measure ‘unwealth,’ that is, the difference at any point in time, between what you have and what you would like to have.”
– *Nassim Nicholas Taleb*

When faced with making a choice, we usually don't make lists outlining all the options that are beyond what is immediately available.

Our tendency to compare ourselves to the people and things around us, regardless of whether we know them personally or not, is one of the most powerful psychological concepts driving our behaviour. Our perception of something being loud or quiet is relative to the volume of the noise we have most recently experienced. At the start of Spring, ten degrees Celsius feels somewhat tropical after winter, while ten degrees in the fall can be bone chilling. When choosing our significant other, we will compare this relationship to previous experiences or to others who we know to be available.¹

When faced with making a choice, we usually don't make lists outlining all the options that are beyond what is immediately available. Rather, we typically evaluate our options by applying current and past experiences as reference points, or anchors, in our decision making.

Certainly today, with constant exposure to an overwhelming amount of media content, we often find ourselves comparing our income, lifestyle, diet and exercise, morning routines, vacations, productivity and even our sense of wealth, not only to our peers, but to the various personalities who are made available to us through both traditional and social media channels.

These characters, ‘celebrity mentors’ and the media outlets who hawk their wisdom are competing for our attention. They push us to close more deals, build better habits, live better lives and sell more units by convincing us that where we are today is ‘relatively’ not good enough, while providing us with the magical formulas for attaining wealth and achieving both personal and professional success. Simultaneously, they push more and more product and technology into our daily lives, in order to realize the ‘potential’ for operating ‘efficiently’ and living the best possible lifestyle.² The over-emphasis on eating kale salads today is an amusing example, given the fact that boring old romaine lettuce is just as, if not more, nutritional.

¹ Most of these examples come from a combination of Kahneman and Cialdini, who are focusing more on different cognitive biases. Contextually, these biases also cover scarcity and the availability bias.

² One of my favourites are wearable technologies which track your steps, or your REM sleep. I can't imagine the total opportunity cost of using mental energy to remember this information.



More sandwiches sold results in more profit, and more profit is surely better than less profit.

Those who are serious about finding these ‘life-hacking’ solutions are better served by solving the equation posed by Taleb’s quote above, which is to understand what we would like to have, over and above what we have already, without comparing ourselves to others.

The drive for this perceptive concept of wealth and success, I believe, is represented by two characters whom many of us have come across in our lives. They behave on opposite ends of a very broad spectrum and we will usually find ourselves somewhere in the middle.

The Happy Peasant

Ms. Socca, operates a small sandwich shop near the beach in Nice, not unlike any of the other dozen or so bakeries or cafés nearby. Yet, her café is a bit unique. At Ms. Socca’s counter you can buy an award-winning version of a popular regional sandwich, a Pan Bagnat (roughly pronounced ‘Ban-yay’). Thanks to this, people line up in the morning before she opens her café, knowing that she makes the same limited amount every day, which usually sells out by lunch. Out of stock, she locks the doors and heads to the beach to enjoy the rest of the day.

A gentleman approached her and asked why she doesn’t produce more sandwiches. The man thought that, put in her position, he would expand with multiple locations and grow the brand. Soon, there would be a chain of Ms. Socca Cafés that could introduce new products to the Southern Region of France, while sharing this regional delight to markets beyond its borders. The logic was simple. More sandwiches sold results in more profit, and more profit is surely better than less profit.

In dismissive French she responded, “Why bother? I know exactly how much I am going to sell every day. I never have to worry. I sell out. Then, I go to the beach.” Ms. Socca is not interested in drama or anything complicated like having more employees or demands on her time. She does just enough so that she is not bothered by day to day minutia. She spends time with her family, she visits some of her relatives in the country, and pays little attention to material things. Sometimes she wishes her life was a bit easier, and certainly the prospect of more money might help, but she figures she would rather be at the beach.



Despite his objective success, Charlie doesn't recognize it himself. He is constantly chasing the next goal, rarely appreciating what he has already accomplished.

The Frustrated Achiever

Ms. Socca can be contrasted with the modern day corporate executive, entrepreneur or high achiever, who behaves as though the day is a sequence of 'to-dos' with multiple appointments, travel time, deals to be made, lunches on the go and conference calls. We can call this character Charlie.

Charlie is obsessed with the future. He has kids to put through school, a mortgage to pay down, car payments to meet, and a standard of living to maintain. He also has to ensure that his busy schedule allows for enough free time to spend with his family, see friends and maybe take a vacation. His day is a blur. He is not entirely sure how he is going to accomplish everything he wants to, and his usual moments of free time to 'just think' are now consumed by looking at his phone (usually in the bathroom).

Despite his objective success, Charlie doesn't recognize it himself. He is constantly chasing the next goal, rarely appreciating what he has already accomplished.

Consider Charlie to be 50 years old and living in one of the wealthier areas of town. Charlie is surrounded by wealthy people, some of whom he perceives to be wealthier than himself. One day, while taking a walk, Charlie runs into a neighbour who works at a rival firm. His neighbour tells him about a mutual friend who had just sold his business and made 'millions.'

After chatting with his neighbour, Charlie heads to work and while on route he performs mental calculations on how many hours he will have to work in order to accumulate the millions his friend just received through the sale of his business. While running through the math, he drives by a thousand people, all of whom are likely never to see 'millions' in their bank account. However, unlike Charlie, these people do not live in a fancy part of town. Charlie, of course, spends no time at all considering the wealth of the thousand people he just passed. Rather, he will only compare himself to that one person – the mutual friend of his neighbour, because that particular individual acts as a reference point in Charlie's mind.



People are so loss averse that rationality is completely abandoned in the decision-making process.

Prospect Theory and Reference Points

In the 1980's Kahneman and Tversky developed a theory that is pivotal to the both behavioural psychology, and what is considered to be a bedrock of behavioural economic theory.³ They ran experiments in which they posed a number of questions to different individuals and measured the rationality in the response.

The experiments went on to show, among other findings, that losses have a far greater effect on us than gains – people are so loss averse that rationality is completely abandoned in the decision-making process. Here is an example from the paper:

- 1) You are given \$1,000. Choose between A and B. A is a 50% chance of winning another \$1,000 (or a 50% chance of winning \$0) and B is being given \$500.
- 2) You are given \$2,000. Choose between A and B. A is losing \$1,000 with a 50% chance of losing \$0 and B is losing \$500.

With a little thought, one can see that both scenarios offer the same thing: the chance to walk away with \$1,500. In Scenario 1, the majority of subjects chose option B. In other words, they chose to take the additional \$500 without taking a chance for the additional gain.

However, in Scenario 2, the subjects overwhelmingly chose option A. They passed up the opportunity to limit the loss to \$500 and took their chances on a coin flip so that they would be able to keep the full \$2,000. The framing of the scenarios, even with the same financial results, produced totally different behaviours.

The paper goes on to explain that when facing a financial decision, subjects considered a 'loss' or a 'gain' to be relative to the reference point. But, what is interesting is that the reference point did not necessarily have to be a loss or a gain relative to the amount of money each subject started with. Rather, the reference point could have been the outcome that they *mentally expected*, the outcome they felt entitled to (perhaps relative to a colleague who was making more than them) and so forth. The key element here is that the reference point was not found to be monetary. The 'gain' or 'loss' was determined to be something intangible, which we mostly perceive and feel.

³ I was recently made aware that Michael Lewis, the acclaimed author of *Moneyball* and *The Big Short* amongst others, has written his new book exclusively about Kahneman and Tversky. They will be household names soon enough.



The high
achievers in
us rarely
remember
in that brief
moment
when we feel
frustrated that
we just chose
not to.

Charlie, it turns out, would be better off moving to a less wealthy neighbourhood, or a smaller town, where he doesn't perceive the success he comes across as a 'personal loss.' A simpler life would remove the 'need' to achieve more. Of course, if he doesn't want to uproot his entire life, perhaps he should remind himself that he didn't make 'millions' simply because he chose not to spend his time that way. The high achievers in us rarely remember in that brief moment when we feel frustrated that we just chose not to.

Entitlement

One's feeling of entitlement, in itself, is a very interesting extension of the reference point concept. A person with an idea who works in a field can have little to no knowledge of business, yet, can witness a peer complete the sale of a business concept, and then feel as though his ideas are worth just as much purely because he views his colleague on equal terms. This often happens in software development. A graduate school student comes up with a unique algorithm to solve a certain type of problem. He then learns that friends from his class are joining a university incubator that eventually leads to a buy out of an idea. The student then automatically feels as though he can do the same thing and is deserving of the same reward.

A commissioned salesperson has a similar experience. One of the most powerful functions that a sales team provides is how each member of the team uses the relative success of their teammates as a gauge to indicate where their results should be. Each person, experiencing their own small or large success, naturally convinces the person in the next desk that he is entitled to some portion of that success if he just keeps at it for long enough, irrespective of whether or not they are actual any good at the job.

The years of working and toiling in a corporation can result the expectation that we are owed something merely based on time spent, regardless of one's actual contribution to the company's success. The constant peppering of news stories, rumours, and stories from friends who have 'seen' others become successful, only compounds this feeling or relative loss. If the reward doesn't come, the feeling becomes one of taking a loss.



The expectation that the gain was supposed to happen cancels out the appreciation one should experience, regardless of whether it was a reward based on valuable work, a smart decision, or just plain luck.

Conversely, those who have received these rewards, because they feel they were entitled to it in the first place, are not satisfied.

This is the reason why the ‘hot stock tip’ works so often to inflate the market. There are few things harder for individuals to do than watch their peers make ‘easy money’ on something like the stock market. It is not rational to invest your savings in a stock you know nothing about, but just the idea of not taking part in the gains from this type of windfall would feel as though you lost something.

The irony, as *Prospect Theory* first exposed, is that if one does succeed in taking these types of risks, it is not fully appreciated. The expectation that the gain was supposed to happen cancels out the appreciation one should experience, regardless of whether it was a reward based on valuable work, a smart decision, or just plain luck.

Good Entitlement

At this point, the reader may think that I am equating the feeling of entitlement to petty jealousy, envy, or simply just whining. It is important to keep in mind that entitlement can be a positive thing, and in many ways is required in order to achieve one’s goals.

Positive entitlement comes from recognizing what we want and what matters to us. Feeling entitled to get what we want is a positive feeling that is motivating to many. This is, after all, what goal-setting truly is. Robert Cialdini, bestselling author on psychology and marketing, explained that writing things down, no matter how casual, etches a commitment in our minds to complete that thing. People who feel entitled, tend to do things such as being bold enough to write down what they want every year. Mark Zuckerberg, who as a 22-year-old famously turned down a \$1 billion offer from Yahoo! to purchase Facebook, said, “I thought we could do it,” in response to being asked why he turned down the offer.⁴ It takes nerve to be able to think you are entitled to more than what is being put right in front of you.

It must be noted that there is a fine line between ‘good’ and ‘bad’ entitlement, and I believe that this line exists when the reference point we use is the perception of what others have or are achieving, rather than the goals we commit to for ourselves.

⁴ www.businessinsider.com/why-mark-zuckerberg-turned-down-yahoos-1-billion-offer-to-buy-facebook-in-2006-2017-4



The parents think, "What I wouldn't give to sleep in and have a relaxing cup of coffee. They don't have a care in the world." At the same time, the couple sees the family and thinks, "What a beautiful family, they have it all. They don't seem to have a care in the world."

The Perception of a Good Time

Imagine a young couple who recently had children. After a long week they are woken up by their kids at 6am on a frigid Sunday morning. By 9:00 a.m., after wrestling their kids into the car, they are on their way to an excursion (the zoo, or apple picking). While driving, they pass by another young couple who just walked out of a café with fresh brewed coffees, gingerly strolling down the street, and likely heading home where they plan to put on a few movies and recover from a late night out.

As the parents drive by, they make eye contact with the couple. The parents think, "What I wouldn't give to sleep in and have a relaxing cup of coffee. They don't have a care in the world." At the same time, the couple sees the family and thinks, "What a beautiful family, they have it all. They don't seem to have a care in the world."

When we see or hear about certain things, for example living in sunny California, or going to a ball game in the middle of a beautiful day, we associate certain feelings related to that experience and what it would be like. Yet, we spend very little time thinking about what that experience would actually be like in reality. My perception of a life in California does not take into account any realisms involved in actually moving there. For example, earthquakes, fires and mudslides don't weigh into my relative perception.

These perceptions become influential in our decision making as we strive towards what we internally want to achieve. "This person got a job at a downtown law firm," and "That person went on a trip to Australia," immediately creates a personal relative perception, which we use to assess the 'reality' of our own situation. Of course, these are just perceptions, but they are doing a very good job in shaping how popular culture defines 'wealth' and 'success'.⁵

It will be difficult to find a more frequent occurrence of this type of false perception, than within social media and its constant reinforcement of FOMO (fear of missing out) in its users.

⁵ As an aside, this idea of immediately comparing thoughts and ideas is essential to our general behaviour as human beings. It is a very useful skill that allows us to navigate through our social construct. This has been covered in many psychology works and within evolutionary theory.



Media, today, feeds us a steady diet of content reinforcing how unsuccessful and 'less than' our relative lives are, while promoting short-term solutions that will lead to our success, with minimal work or time required.

Why This Section Will Not Tell You the Cause of Anything and 10 Ways to Get to the Point

Today, the media feeds us a steady diet of content reinforcing how unsuccessful and 'less than' our relative lives are, while promoting short-term solutions that will lead to our success, with minimal work or time required. Nearly every article written on the web today starts with the word "What," "Why," "How," or a number, followed by a cause, or the reason behind the topic. For example, "Why you are stuck in a financial rut." In some cases, after the explanation of the cause, there are solutions provided, neatly organized by numbers. For example, "Why you are stuck in a financial rut, and 10 ways to achieve personal freedom."

The connection between this and the legendary medical practices of the late 1800's are striking. Historically, self-purported medical experts would peddle products claiming to have a secret ingredient that would relieve the pain or stress of a particular problem. This of course has continued to be a very effective and widely used advertising strategy to this day. For example, skin care products using the essential oils of an exotic sounding plant, or one of my favourites, the all-important vitamin C in orange juice (while the actual effect of vitamin C is debated, there are other foods that contain higher levels of vitamin C, with less sugar that are far superior for a healthy diet).

The idea of "success through the Internet" becomes intensified when people both consume this content and amplify it by posting self-promotional comments, and photos of related events, food, company activities, and vacations in an edited representation of their life. These photos are then showed to more people which provides more social credibility. This credibility provides further personal validation for the choices being made.

I recall a conversation with my wife where she showed me photos of other new mothers on social media and asked why they all seemed so cheerful and awake while we were always tired and cranky. Were we missing something? Probably just some of the before and after photos.

Grabbing our attention has become easier, because we are becoming worse at maintaining our focus. Nicolas Carr, in his Pulitzer Prize nominated book, *The Shallows: What the Internet Is Doing to Our Brains*, explained that the physiology of our brains have changed and adapted to deal with this sort of short-term



Cycling through the social media sites and having these ideas about how to improve yourself should weigh in to your thoughts no more than merchants shouting prices to you in a market in the Middle East.

content. We are trained to receive bursts of content, which continuously shifts our attention from one thing to another. In fact, because of this evolution, on a regular basis, we struggle to maintain focus on one subject or doing one thing.⁶ As our mind shifts from one piece of content to the next, we fail to properly internalize what we have just read, since we spend so little time reflecting on it, or thinking critically about it.⁷

Cycling through the social media sites and having these ideas about how to improve yourself should weigh in to your thoughts no more than merchants shouting prices to you in a market in the Middle East.

Rasho Nesterovic: A Lesson in Appreciation (and Sample Size)

Most sports fans will now and then remember a player on their favourite team who was not the best, nor the worst, but a player who was just OK. As a big Toronto Raptors fan, I remember a big lumbering 7-foot center named Rasho Nesterovic. Nesterovic was born in Slovenia and played in many semi-professional leagues as a teenager before making the NBA in 1998. Nesterovic played for 11 years, won a championship with the San Antonio Spurs, and never averaged more than 11.2 points per game, which is about average for any player who plays regular minutes.

When watching Nesterovic play an NBA game, he certainly does not look like the best player on the court. Once in a while, he makes a basket. Generally, he stands in the proper position. Yet, no opponent was focusing their game strategy around him. If you were watching these games with friends, you would usually say things like, “He sucks,” or “He’s too slow.” Relative to the rest of the players on the court, Nesterovic looks about average.

Unequivocally, Nesterovic’s basketball career was an unbelievable success. Relative to the other 300 or so NBA players at the time, he may not have been the best. However, relative to the 6 billion or so people in the world he was. Certainly, as one of only 10 players from Slovenia to ever make the NBA, his accomplishments

⁶ If you have made it this far into the Perspective, I believe a congratulations is in order. Many authors have covered this subject in a variety of books, which discuss how we are addicted to the speed of the content, no matter what it says.

⁷ This is a vague description of what Kahneman called System 1 thinking. If you enjoyed *Prospect Theory*, you should read *Thinking Fast and Slow*, and pretty much anything else you can get your hands on written by the man.



We are desensitized to this type of success, because our relative sample size is so skewed that we can't make absolute judgments.

were remarkable. We are desensitized to this type of success, because our relative sample size is so skewed that we can't make absolute judgments.

The same effect occurs when we read the news. For example, a business owner with a thriving business, producing revenues of \$10 million, while providing a good income for his family and employees is considered a 'small business.' This overwhelmingly successful career would be minimized in a newspaper and generate little to no interest (likes, comments, shares). It's nothing compared to the \$1 billion acquisition that one company completed, or the \$500 million investment in technology that another company made.

Having an absolute measure of success relative to one's own values is essential to understanding what is important.

Don't Be Frustrated, Achiever

In *Fooled By Randomness*, Nassim Taleb illustrates how a group of completely unrelated sentences, chosen at random, appear to be just as valid as the headlines we would read in the news on a regular basis. Taleb concludes that rather than making decisions based on what we read in the news, we ought to read poetry. At least these seemingly random group of sentences that comprise a poem may illicit positive emotions, rather than leading us to be convinced that we are now educated and confidently know about a key issue affecting the world at large. Even worse, we begin to make life decisions purely according to what we read. If anyone has planned their vacations around a particular virus outbreak one year or another, they would appreciate what I am talking about.

Random groupings of sentences are not unlike the random streams of content we consume every day. Whether it is a group of anecdotes that we hear about others who are selling their businesses, or strategies for achieving success from social media influencers, or our perception of what our life would be like if we lived as 'stress free' as Ms. Socca. We are being lead down an emotional, sometimes costly, and mostly irrational path of trying to do what we can to avoid losses, even at our own expense. We also spend little time focusing on what we have accomplished and giving ourselves credit for the success we have achieved. True to this point, in a traffic jam, the average person spends less than 10% of the time looking in the review mirror and appreciating how far they have come. Rather, they are



*By focusing
on the absolute,
we should feel
less entitled
to things and
spend more
time enjoying
what we do have.*

frustrated because, by only looking ahead, they will only see how much more ground they have to cover.

Taleb's idea of 'unwealth' is a powerful concept because it bypasses the relative and focuses on the absolute. With focus, the absolute does not take any random stimuli into account, taking our attention away from perceived losses. Finally, by focusing on the absolute, we should feel less entitled to things and spend more time enjoying what we do have.

As Charlie Munger often says, "Deserve what you get."