

The Herald of Everett, Washington

Customer service: Subscriptions | Log in or sign up | Advertising information | Contact us



know your Heart Health

Click Here for More Info

Skagit Regional Heart & Vascular Institute
SKAGIT VALLEY HOSPITAL
Skagit Regional Heart & Vascular Institute
www.skagitregionalhealth.org

Local support for
OSO

CLICK HERE

Find out how you can support the victims of the Oso Landslide

HeraldNet



Hidden forecast link

Everett

50°

Cloudy

High: 58° Low: 48°

Full forecast

Newsletters: Sign up | Manage  Green editions
 SEARCH
[Home](#) [News](#) [Towns](#) [Sports](#) [Business](#) [Opinion](#) [Entertainment](#) [Life](#) [Blogs](#) [Obituaries](#) [Classifieds](#) [Jobs](#) [Autos](#) [Homes](#)
[Aerospace](#) [Aerospace blog](#) [Bizblog](#) [Cars & Me](#) [Stocks](#) [Real Estate](#) [Herald Business Journal](#)


Tweet 2

Like Share 2

G+1 0 Share

Business news

- Boeing updates its commercial jet catalog on the fly May 2
- Jury: Samsung, Apple both infringed patents May 2
- U.S. hiring surges after brutal winter May 2
- Colorado seeks a pot banking option May 2
- Consumer spending up by most in almost 5 years May 2
- How states fared on jobless benefit claims May 2

Highlights



Sharp business

Some of world's best knives are made in Lynnwood



Published: Saturday, April 12, 2014, 3:00 p.m.

[EMAIL ARTICLE](#) | [PRINT](#) | [JUMP TO COMMENTS](#)

Positive thinking can trip into costly delusion

By **Bob Carden**, Special to The Washington Post

I am going to be very rich, very soon. Money is coming in from the Ivory Coast. Apparently, I'm related to a prince over there, and he needs me to help him park a boatload of cash in America. My cut is \$4 million. I would have to wire him a \$5,000 handling fee to get the money, but \$5,000 for \$4 million? Who wouldn't take that action?

- - - -

I flunked geometry in 10th grade. You're not going to run into me at a Mensa meeting. Still, I have enough sense and skepticism never to fall for a scam like that.

Louis Gottschalk was someone you might have seen at a Mensa meeting. Gottschalk, who died in 2008, was a renowned neuroscientist and professor at the University of California at Irvine. Late in life, according to news reports, he lost millions in your basic Nigerian Internet scam.

Behavioral economists would surely attribute Gottschalk's lapse to what they call the "positivity delusion."

"We're far more inclined to embrace positive information about our own investments than negative information. We often turn that off," says Tali

High hopes

Faces of our state's aerospace future



Raw potential

Small dairies see growing business in raw milk

Calendar

MAY 2014						
S	M	T	W	T	F	S
27	28	29	30	1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31
1	2	3	4	5	6	7

Weekly business news

 Delivered to your inbox each week.

[See sample](#)
[More newsletters](#)
[Privacy policy](#)

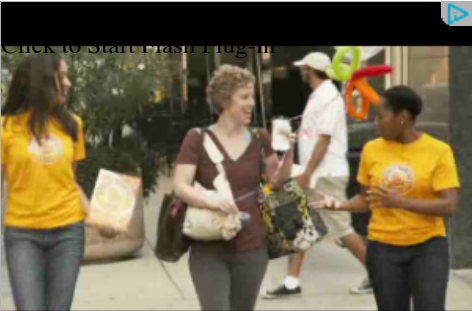
advertisement | [your ad here](#)

Sharot, author of "The Optimism Bias: A Tour of Our Irrationally Positive Brain."

What if the "power of positive thinking" is simply a numbing drumbeat that reinforces the positivity delusion, leading us to make blockheaded business and investment decisions?

advertisement | [your ad here](#)

Click to Start Flash Program



YOUR VIDEO WILL BEGIN MOMENTARILY

"You have to at least entertain the possibility that the rustling in the grass could turn out to be a lion and eat you up," says Barbara Ehrenreich, author of "Bright-Sided: How the Relentless Promotion of Positive Thinking Is Undermining

America."

She blames much of the subprime mortgage mess and resulting financial meltdown in 2008 on this "delusory" positive thinking. For instance, she recounts how Michael Gelband, the onetime head of the real estate division at Lehman Bros., saw a real estate bubble as early as 2006 and warned CEO Richard Fuld that the company should rethink its business model. This moment of realism and candor got Gelband fired.

"Brokers and buyers were all whipped up, any realistic thoughts were deemed negative and not worthy, so they fired people like him," Ehrenreich says.

Lehman filed for bankruptcy protection in 2008. Its collapse helped spark a financial crisis that spread across the globe.

The positivity delusion isn't restricted to institutional corporate types. It infects individual traders as well. I found out the hard way.

"Averaging down" on a stock can be one of the more delusory methods of investing. It means buying a stock when its price dips with the hope that it will rise back to its highest point.

During the Internet stock craze in the late '90s, I bought about 8,000 shares of PSInet, a local Internet service provider, for about \$6 a share. By March 2000, it had run up to more than \$100 a share (split-adjusted). I lived high, borrowed against it, got a Mercedes. Then the share price started dropping and my positivity delusion kicked in full throttle. I averaged down when it dropped to \$40, then \$22, then again at \$6. I stopped averaging down about the same time I dumped the Mercedes and dusted off my old Yugo. PSInet went bankrupt; I came close.



"Averaging down makes little sense," says Dan Solin, author of the immodestly titled "The Smartest Retirement Book You'll Ever Read." "It's one of these myths that investors are fed in the financial media. The market is telling you the stock is losing value."

Also, beware of "experts" conveying their biases on an unsuspecting public. Let's say a broker bought a large position in Company X at \$20 per share. But it's recently dropped to \$15. So he goes on CNBC or some financial show and says it's a real buy at \$15. Well, a charitable reading is that he might be brimming with positivity bias and really wants to convey that to the viewer. Or maybe he's pumping the stock, hoping enough viewers will buy to push the price back to \$20 so the broker can get out without a loss. Either way, it's probably a good idea to switch to the Weather Channel.

"We look upon too much positive exposure on CNBC or other media as a contrarian indicator," says Nicholas Haffenreffer, a portfolio manager with Torray Investments in Bethesda. "It gets us a bit nervous if people on TV are talking a lot about one of our positions."

A hot market and the positivity delusions it generates make his job a lot tougher.

"Clients often ignore risk in a rising market," he says. "They forget the rules: that cycles happen. Markets do drop, so you have to hedge. People just don't want to hear that."

Despite the downside, isn't the positivity bias a catalyst for our individual genius? Without that hope, that optimism, would Thomas Edison have invented the light bulb? Would Steve Jobs have built a single gadget? Would Ron Popeil have developed spray hair in a can?

"Positivity enhances our ability to create and explore," says Sharot, who also teaches at Harvard. "It's how things get done. We need it. It's part of our evolution."

Optimism is firmly rooted in American culture. The spiritual father of the positive thinking movement was a 19th-century spiritualist, teacher and healer by the name of Phineas Quimby. Quimby rebelled against old-style Calvinism, thinking its austere nature depressed people and caused "disease-inducing guilt." He disregarded conventional medicines and instead relied on positive thought to heal the body and foster a clear mind.

A contemporary equivalent of Quimby might be the ever-cheerful pastor Joel Osteen. He preaches the power of positive thinking and the prosperity gospel — "God wants you to be rich" — from a megachurch in Houston. Osteen commutes there from a \$10 million mansion. Positive thinking has served him well.

Despite that, old-style American Calvinism, while not a load of laughs, has a lot to do with American wealth and development.

So what is the remedy? Sharot says that since we are inclined to ignore negative information about our investment and embrace positive information, we have to create some distance from the investment.

"If you are going to make an investment in something, imagine that it's your neighbor making the investment, not yourself, and then when you evaluate it you're likely to be much more objective," she says.

It's generally a good idea to stay away from any situation that you know you could not sustain long-term, says Justin Sydnor, a behavior economist at the University of Wisconsin.

"You have to ask yourself, what are you going to do in the future that's going to change what you did in the past?" he says. "Otherwise you are just falsely believing things will get better in the future."

And get out from under the ether of a smooth sales pitch.

"When a policeman stops you and asks for your license, he checks the license and registration — he won't take your word for it. If you are investing, you have to do the same thing," says Lori Schock, head of investor education at the Securities and Exchange Commission.

Ehrenreich says the answers are pretty simple. "Work hard. Be realistic. Don't fall for simple pitches that cloud your thinking — don't let all these motivational speakers and self-help coaches block out warning signs that something bad might be on the horizon," she says. "Things aren't going to get better just by wishing for it."

Carden is a documentary filmmaker based in Washington.

Story tags » • Financial & Business Services • Personal Finance

Share your comments: Log in using your HeraldNet account or your Facebook, Twitter or Disqus profile. Comments that violate the rules are subject to removal. Please see our [terms of use](#). **Please note that you must verify your email address for your comments to appear.**

Comments Community

Login ▾

Sort by Best ▾

Share  Favorite ★

Join the discussion...



Linda Schrier • 20 days ago

good article

^ | ▾ • Reply • Share ›

ALSO ON HERALDNET

WHAT'S THIS?

Hundreds march in Seattle for immigrant rights

33 comments • a day ago



MyTwoCents — I'm curious what rights exactly do immigrants think ...

House GOP to form select committee on Benghazi ...

7 comments • 6 hours ago



gotcha123 — Please..... Don't show your ignorance by making a statement ...

Cliven Bundy neighbors weary of militia

98 comments • a day ago



gotcha123 — One thing for sure, I know how to get a good old fashioned ...

Squirrel goes nuts on teen taking selfie

4 comments • 2 days ago



Smooth_to_Operate — Squirrel - 1Brian - 0

 Subscribe

 Add Disqus to your site

Subscribe now

Unlimited digital access starting at 99 cents, or included with any print subscription.



➤ What is this? ➤ FAQ ➤ Log in ➤ Subscribe



Wild Hare Bar & Grill

\$7.50 for \$15 worth of Seriously Good Food & Drinks at Wild Hare Bar & Grill!

advertisement | [your ad here](#)



TULALIP SUMMER SERIES 2014

JULY 10	THE TEMPTATIONS, THE FOUR TOPS AND MARY WILSON OF THE SUPREMES
JULY 31	PAT BENATAR & NEIL GERALDO + RICK SPRINGFIELD
AUG 3	MICHAEL MCDONALD AND TOTO
AUG 14	SAMMY HAGAR FEAT. MICHAEL ANTHONY, JASON BONHAM AND VIC JOHNSON
AUG 15	SUGAR RAY, 01N BLOSSOMS AND BLUES TRAVELER WITH UNCLE KRACKER
AUG 21	YES
SEPT 7	CREEDENCE CLEARWATER REVISITED AND AMERICA

TICKETS ON SALE NOW!

TULALIP RESORT CASINO

Photo galleries

» More HeraldNet galleries



Volunteers build B-17 bomber: Mar 1



Boeing Machinists Rally: Jan 2



787-9 First Flight: Sep 17



Dubai Airshow: Nov 19

HeraldNet Classifieds

Jobs

Top employers in Snohomish County

Accountant

Snohomish School District
Snohomish, WA

Autos

Search for cars from local dealers



\$10
1999 Ford
E350 Box
Van

Homes

Search local real estate listings



Stuff

Services, garage sales, pets, items for sale



The best way to find a great deal

Autos Internet Specials

Time left: 0 days, 14 hours, 27 minutes

2008 Chevrolet Avalanche LS

\$20,998



Premium Smooth Ride Suspension Package
AM/FM Stereo w/MP3/CD/XM Satellite
Vortec 5.3L V8 SPI
Flex Fuel
Stk: B928A

BLADE CHEVROLET

1100 Freeway Dr, Mount Vernon WA 98273
360-424-3231 | 877-557-5419
www.bladechevy.com

[* Click here for all Internet Specials *](#)

advertisement | [your ad here](#)

Download a **free** audiobook today

[LEARN MORE](#)

audible
an amazon company

MOST READ

1. Maximize your kitchen
2. Helicopter rescue crews credit training in slide response
3. Legislators miss first assignment from state Supreme Court
4. Energetic 'Tutor'
5. Arlington High wins Wesco lip dub contest
6. Silvertips in unfamiliar position for today's draft
7. A look into space
8. Ikea kitchens require careful planning — and a lot of assembly

9. Stealth's next chapter
10. Steve-O does stand-up
11. GM bailout cost taxpayers \$11.2 billion
12. FCC won't allow Internet 'slow lane'
13. On safeguarding voting rights
14. Urine-marred Oregon water diverted, not flushed
15. Window-cleaning tips will give you a clear view

HeraldNet highlights



Energetic 'Tutor':

Musical about novelist, teen muse comes to Everett



Maximize your

kitchen: Space-saving ideas from design pros



Seeds of self-esteem:

In youth garden, vegetables aren't the only thing growing



A tangled web:

Convolutd plot makes 'Spider-Man' sequel hard to follow

MOST READ THIS WEEK

1. No sale, no shipyard
2. Now unlikely, new construction moratorium would be vast
3. Additional damage claims filed in Oso mudslide
4. Fire causes \$100,000 in damage to Everett home
5. Maximize your kitchen
6. Helicopter rescue crews credit training in slide response
7. Legislators miss first assignment from state Supreme Court
8. Energetic 'Tutor'
9. Arlington High wins Wesco lip dub contest
10. Silvertips in unfamiliar position for today's draft
11. Impressive victory
12. A look into space

Safari Power Saver

Click to Start Flash Plug-in

Sections

Local news
Opinion
Sports
Business
Boeing
Living
Entertainment
Movie listings
Blogs

Social media

The Herald on:

Facebook
Twitter
Google Plus
Pinterest
Tumblr
YouTube

Extras

[Celebrations](#)
[Crossword](#)
[Green editions](#)
[Horoscopes](#)
[Newspapers in](#)
 [Education](#)
[Sudoku](#)
[Today's front page](#)
[Page reprints](#)

Contact us

[Directory and staff](#)
 [listings](#)
[News tips](#)
[Subscribe](#)
[Renew](#)
[Vacation holds](#)
[Moving form](#)
[Delivery issues](#)
[Calendar](#)
 [submissions](#)
[Newsletter signup](#)

Classified

[Place classified ad](#)
[Jobs](#)
[Work at Sound Publishing](#)
[Autos](#)
[Homes](#)
[Marketplace](#)

Advertisers

[Place a display ad](#)
 [online](#)
[Print advertising](#)
 [information](#)

Partners

[The Herald](#)
 [Business Journal](#)
[La Raza NW](#)
[Sound Publishing](#)
[About The Herald](#) | [Work at The Herald](#) | [Contact Info](#)
[privacy policy](#) | © 2014 The Daily Herald Co., Everett, WA