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Motley Fool: Nine thoughts about investing and the economy

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Here's some stuff I've learned recently.

Optimism, according to psychologist Tali Sharot, is basically an efficient form of ignorance. "It protects us from accurately perceiving the pain and difficulties the future undoubtedly holds, and it may defend us from viewing our options in life as somewhat limited. As a result, stress and anxiety are reduced, physical and mental health are improved, and the motivation to act and be productive is enhanced," she writes.

Daniel Kahneman's book *Thinking, Fast and Slow*, begins: "The premise of this book is that it is easier to recognise other people's mistakes than your own." I was in New York a few months ago, and a car honked at a stoplight. A nearby construction worker turned around and yelled, "Be quiet!" He then resumed using his jackhammer. Criticising less and self-reflecting more is important, especially in an emotional field such as investing.

Warren Buffett recently commented on how to improve in life. "The best way you can improve yourself is to learn to communicate better," he said. "Your results in life will be magnified if you can communicate them better. The only diploma I hang in my office is the communications diploma I got from Dale Carnegie in 1952. ... Without good communication skills you won't be able to convince people to follow you even though you see over the mountain and they don't."

Nobody rang a bell when the US economy recovered. It happened slowly over six years. Since it developed slowly, few people noticed. There wasn't a moment when the bears who predicted doom from 2010 to 2013 were proven wrong; they just kind of faded into obscurity as people lost interest. People are so caught up in irrelevant short-term news that they miss the important long-term trends. That's unfortunate.

The CEO of Charles Shaw wine (known in the US as 'two buck Chuck') was once asked how he can sell wine for less than the cost of bottled water. "They're overcharging for the water. Don't you get it?" he said. There is a business model based around fooling people into overpaying for a product, and another based around shocking people with reasonable prices. Both can be successful.

In the US, 2012 was one of the biggest years for economic pessimism. 2013 was the best year for stocks since 1997. 2014 was the best year for jobs since 1999. It works this way all the time.

I don't think anyone can be unemotional about money. It's like saying you'll be unemotional about your kids. If you kid gets arrested, you'll get emotional. And if you lose half your money in the stock market, you'll be emotional. That doesn't mean you'll act on those emotions, but no one should pretend like he or she has total control over emotions when the market is going wild. It's biology.

Some of the biggest news stories of 2014 involved commercial plane crashes. But 2014 actually had the fewest number of crashes since the commercial aviation industry began in 1949. This is a good example of the "attentional bias," in which you falsely believe events are happening more frequently just because you're paying more attention to them.

According to The Economist, "A battery-powered car recharged with electricity generated by coal-fired power stations ... is likely to cause more than three times as many deaths from pollution as a conventional petrol-driven vehicle." The shock of this is a great example of most people's inability to think past the first layer of a problem. It also shows why so many trends that look promising end up disappointing when the full story is unravelled.

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