

## Leithner Letter No. 198-199: 26 May-26 June 2016

*[O]ne of the games to which [mankind] is most attached is called "Keep tomorrow dark" ... The players listen very carefully and respectfully to all that the clever men have to say about what is to happen in the next generation. The players then wait until all the clever men are dead, and bury them nicely. They then go and do something else. That is all. For a race of simple tastes, however, it is great fun.*

G.K. Chesterton  
*The Napoleon of Notting Hill (1904)*

*The only thing you can be confident of while forecasting future stock returns is that you will probably turn out to be wrong. The only indisputable truth that the past teaches us is that the future will surprise us – always! And the corollary to that law of financial history is that the markets will most brutally surprise the very people who are most certain that their views about the future are right. Staying humble about your forecasting powers, as Graham did, will keep you from risking too much on a view of the future that may well turn out to be wrong.*

*So, by all means, lower your expectations – but take care not to depress your spirit. ... In financial markets, the worse the future looks, the better it usually turns out to be [and vice versa]. A cynic told G.K. Chesterton, the British novelist and essayist, "Blessed is he who expecteth nothing, for he shall not be disappointed." Chesterton's rejoinder? "Blessed is he who expecteth nothing, for he shall enjoy everything."*

Jason Zweig  
"Commentary on Chapter 3"  
*The Intelligent Investor* by Benjamin Graham (6<sup>th</sup> rev. ed., 2006)

## A Negative Assessment of Confidence, Optimism and Positive Thinking (Part II)

Barbara Ehrenreich (*Smile or Die: How Positive Thinking Fooled America and the World*, Granta, 2009, pp. 4-5) asks:

[How can Americans] be so surpassingly “positive” in self-image without being the world’s happiest and best-off people? The answer, I think, is that positivity is not so much our condition or mood as it is part of our ideology – the way we explain the world and think we ought to function within it. That ideology is positive thinking, by which we usually mean two things. One is the generic content of positive thinking – that is, the positive thought itself. ... The second thing we mean by “positive thinking” is this practice, or discipline, of trying to think in a positive way. There is, we are told, a practical reason for undertaking this effort: positive thinking supposedly not only makes us feel optimistic but actually makes [desired] outcomes more likely. If you expect things to get better, they will.<sup>1</sup>

The central claim of this ideology of positive thinking – generally that thoughts can directly affect the physical world, and specifically that positive thoughts *per se* beget good things – is, from both secular and Christian points of view, utter nonsense. It’s astonishing that anybody who possesses a modicum of common sense could possibly take such a claim seriously.<sup>2</sup> For a century or more, science

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<sup>1</sup> In the “rational” version of this claim, which psychologists and other academics typically advance, positive thinking leads indirectly to happy outcomes. Positive thinking improves health, personal efficacy, resilience and the like; then, these things increase the odds that “good things” (such as a promotion, etc.) occur. The claim’s “non-rational” version, propounded by hucksters of various descriptions (which I dub “positive thinkers”), asserts that positive thoughts can, in some unspecified way, directly affect the physical world. *Because* you’re convinced you’ll get one, the non-rational variant asserts, *therefore* you’ll receive that promotion.

<sup>2</sup> Mental activity can *indirectly* (that is, through a great deal of technology) affect the physical world. A person can learn, through pure trial and error, to generate electrical activity in the brain that can – via much technology – move a cursor on a computer screen. To do so one must wear an electrode-studded cap (electroencephalograph), which detects electrical signals inside the head,

has progressed at a breathtaking pace, and these days the impact of technology upon nearly every facet of life is inescapable. Rhetorically at least, today most Americans and significant numbers of people in other countries regard themselves – not infrequently fervently – as Christians. Yet scores of millions (apparently including powerful CEOs of major corporations, prominent and influential preachers, and so on) actually believe, more than anything – including secular science and Christ the Messiah – in magic.

The metaphysics of positive thinking strongly resembles traditional forms of magic. Magicians and proponents of positive thinking assert, in effect, that like attracts like. By some “law of attraction,” a talisman – or, in the case of “black magic,” a pin pricked into a voodoo doll – allegedly produces some desired outcome (such as the misery of your wife, who divorced you and married your business partner). In the case of positive thinking, the thought or mental image serves as a kind of internal fetish in the thinker’s mind. In the words of one of the pillars of this genre, *Think and Grow Rich!* (1937) by Napoleon Hill:<sup>3</sup> “thoughts, like magnets, attract us to the forces, the people, the circumstances of life which harmonize with [these thoughts.]”

Hence the need, according to Hill, to “magnetize our minds with intense DESIRE for riches.” If you want something, imagine that you already possess it. Visualise it long enough and hard enough, and eventually your mind, like a magnet, will attract it to you. Hill used upper-case script extensively and irksomely: “ALL

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amplifies them and sends them to a computer. Such technology helps severely disabled people to communicate. But it neither relies upon nor presupposes “mind over matter.” Unassisted by technology, a person’s thoughts cannot move a cursor; still less can they move money into his bank account, a BMW into his garage or that stunning blond on the park bench into his lounge room. In Ehrenreich’s words (pp. 65-66), “even those whose science educations stopped at ninth grade might notice some problems with this [claim]. One, thoughts are not objects with mass; they are patterns of neuronal firing within the brain. Two, if [people’s thoughts] exerted some sort of force on material objects, it would be difficult to take off one’s hat.” Ehrenreich very readably dismisses positive thinkers’ “law of attraction” at pp. 59-73.

<sup>3</sup> See Stone and Hill, *Success Through a Positive Mental Attitude* (Simon & Schuster, 1960). According to his obituary in *The New York Times* (5 September 2002), Stone, who died at the age of 100, donated more than \$275m of his own funds to charity. By 1979, the assets of Combined exceeded \$1 billion. In 1987, Combined and Patrick Ryan Group merged to form Aon Corp. In 2008, ACE Limited purchased Aon for \$2.5 billion.

IMPULSES OF THOUGHT HAVE A TENDENCY TO CLOTHE THEMSELVES IN THEIR PHYSICAL EQUIVALENT.” W. Clement Stone, a founder of Combined Insurance Co., became one of Hill’s close associates. Stone’s motto encapsulates today’s zeitgeist: “whatever the mind can conceive and believe, the mind can believe with Positive Mental Attitude.”

“Ritual or ceremonial magic,” says Catherine Albanese in *A Republic of Mind and Spirit: A Cultural History of American Metaphysical Religion* (Yale University Press, 2007, p. 7), “involves the use of artifacts and stylized accoutrements.” In “mental magic,” on the other hand, “the field is internalized, and the central ritual becomes some form of ... guided visualization.” Thanks to the mental magic of positive thinking, millions of Americans – and Westerners more generally – affirm without hesitation or doubt (perish those sentiments: they’re negative!) that negative thinking begets bad results like poverty; in sharp contrast, positive thoughts “realise” or “manifest” themselves in the form of material prosperity and social success. Wealth, in short, is a matter of willpower: if only you think about it long and hard enough, it’ll be yours.

Consider this statement’s implications – as well as those of the fact that these days so many businesspeople apparently believe it. Throughout much of the 20<sup>th</sup> century, and especially during the 1930s and 1940s, managers and executives, increasing numbers of whom studied “management science,”<sup>4</sup> regarded themselves as dispassionate professionals. Rising to prominence in the early decades of the century (at the same time, not coincidentally, that medicine and engineering emerged as professions), the study and practice of management reflected the widespread faith of the American middle class – which is utterly antithetical to today’s positive thinking – that problems in the real world, *if they were solvable*, would yield to the dispassionate application of logic and evidence. Why descend to woolly wishful thinking when hard practical science produces

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<sup>4</sup> As a field of study and practice, management has never been and today certainly isn’t a proper science. There simply is no coherent body of knowledge. At most, there are mere *ad hoc* case studies, and the so-called “principles” and “best practices” are, at best, rather arbitrary rules of thumb. At its worst, the field of management is babble, some of it risible and laughable, and the rest an incomprehensible mass of jargon. Yet despite these inherent and probably fatal shortcomings, the notion that the practice of management somehow could be a rational enterprise – and that reason should guide managers – is a sensible ideal.

such fabulous innovations? The telephone, radio and motor car were more than triumphs of technology: management and marketing helped to produce them at a price which, by the 1950s, put them well within the financial reach of most households. Throughout much of the 20<sup>th</sup> century, the American (and Australian, British and Canadian, etc.) middle class believed that technological progress and material prosperity resulted from the rigorous training of dispassionate experts.

In recent decades this belief has waned considerably. In its stead, enthusiasts of positive thinking place their faith not so much in science and technology but rather in self-belief and magic. CEOs, as positive thinkers see them (and, increasingly, as CEOs see themselves), succeed not because they successfully apply their training, experience and other expertise: they succeed because they “energise” staff, possess the right intuitions and take the correct snap decisions. Old-style executives and CEOs rose from within a company’s ranks; they had to master every aspect of its operations before they could ascend to the top. In sharp contrast, as often as not the board hires today’s new-style CEO on the basis of his celebrity status – even if it was derived from totally unrelated lines of business. In short, “the image of a CEO changed from being a capable administrator to a leader – a motivating, flamboyant leader.”<sup>5</sup>

Some academics in business schools have detected delusions of divinity in the new CEO’s self-image. Many such CEOs have developed a monomaniacal conviction that there is but one right way – namely, their way – to do things. Not only do they know this one correct way: time after time, quasi-divine insight gives it to them. These new-style CEOs have convinced themselves, thanks in no small part to positive-thinking motivational gurus who have increasingly displaced old-style management consultants, that “they are charismatic visionaries rather than people in suits.” *Fortune* magazine went further: this “new spirituality” in business offered “a world view in which ... reality is not absolute but a by-product of human consciousness.”<sup>6</sup>

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<sup>5</sup> Rakesh Khurana, *From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession*, Princeton University Press, 2007, p. 303; see also Craig Lambert, “The Cult of the Charismatic CEO,” *Harvard Magazine*, September-October 2002.

In *Smile or Die* (pp. 184-185), Barbara Ehrenreich interviewed “one of the few dissenters from the prevailing positive-thinking consensus.” He told her: “a lot of corporate types don’t want to hear what I [a “crisis manager,” that is, somebody corporations enlist when a public relations or other disaster threatens] have to tell them.” Plain and straight talk can be a “career ender.” However dire the situation, “corporate America desperately wants to believe there’s a positive outcome and message.” Ehrenreich asked him whether he thought corporate executives embraced the “law of attraction” – the positive thinkers’ claim that your thoughts can control the world. He replied that this way of thinking had become “viral” in corporate America. “They actually believe this stuff. Corporations can be ruthless about making money. But when it comes to being realistic ...”

On 27 June 2013, in “Grandiose Delusion of Own Self-Importance Only Thing Keeping CEO Alive, Doctors Say,” the American satirical magazine *The Onion* (whose motto is “tu stultus es” and which praises itself as “America’s most reliable source of fake news”) rightly mocked CEOs’ delusional overconfidence:

Days after being admitted to the clinic’s intensive care unit, physicians at Greenwich Hospital relayed Thursday the improving condition of Invictus Mutual Funds CEO Charles Latham, 67, a man whose grand delusion of self-importance is the only thing keeping him alive at this point, doctors confirmed.

“While Mr. Latham is suffering from a severe bout of pneumonia that in most cases would be classified as terminal, his unparalleled egomania has enabled him to fight off the infection,” said pulmonary disease specialist Dr Henry Calhoun, who admitted he had never before seen such an inflated sense of self-worth in a patient. “Though the bacteria [have] spread to both of his lungs, thanks to Mr Latham’s all-consuming arrogance and belief that he was placed here on earth to achieve greatness, he continues to evade death. ... Honestly, a less self-absorbed man wouldn’t have made it through that first night.”

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<sup>6</sup> Dennis Toruish and Ashly Pinnington, “Transformational Leadership, Corporate Cultism, and the Spirituality Paradigm: An Unholy Trinity in the Workplace?” *Human Relations*, vol. 55, 2002, p. 147. Frank Rose and Wilton Woods, “A New Age for Business?” *Fortune*, 8 October 1990, p. 157.

... Doctors say that the third-generation investment scion, whose net worth is pegged at \$850 million, has since stabilized, largely due to his vision of himself as some kind of omnipotent captain of industry who isn't subject to the laws of man. Though he remains on a respirator, medical staff emphasized that they were amazed that Latham easily beat his grim prognosis thanks to his sincerely held belief that he is the smartest, most dynamic man alive. Sources confirmed he beat lung cancer two years ago with hubris alone. "When we first admitted the patient, I really didn't think he would pull through, but it turns out he has this incredible, bloated sense of stature that has kept him going through the worst of it," said nurse Marisa Rogers, who claimed she had only previously come across such narcissism in medical textbooks. "Within Mr. Latham's pneumonia-wracked body, there's a powerful endurance – and this ridiculous perception of himself as some kind of superhuman figure – that's allowing him to hold on." "He's a fighter," Rogers continued. "And a psychotic megalomaniac who sincerely believes he can't and shouldn't die. The fact that he's able to convince himself that it wasn't his fault for losing \$250 million last year allowed him to survive fairly invasive surgery."

... "Normally, at his age, in his deteriorating physical condition, you would say it's only a matter of time before his poor health habits catch up to him, but I've got a feeling his overwhelming pride and self-satisfaction can beat back any illness," said Calhoun, who claimed that Latham's high blood pressure and history of heart disease would be a death sentence for a well-adjusted individual. "As long as he keeps believing that he deserves everything he has and that nothing can stop him, he's going to be all right." "Honestly, I wouldn't be surprised if he lived to 100, the son of a bitch," Calhoun added.

The ideology of positive thinking rests upon unsound foundations. Accordingly, it leads its adherents astray. As Ehrenreich puts it,

There is an anxiety ... right here in the heart of American positive thinking. If the generic "positive thought" is correct and things are

really getting better, if the arc of the universe tends toward happiness and abundance, then why bother with the mental effort of positive thinking? Obviously, because we do not fully believe that things will get better on their own. *The practice of positive thinking is an effort to pump up this belief in the face of contradictory evidence. ... It requires deliberate self-deception, including a constant effort to block out unpleasant possibilities and "negative" thoughts. ... Positive thinking may be a quintessentially American activity, ... but it is driven by a terrible insecurity* [italics added].

What happens when one's confident and optimistic thoughts avail nothing? What next, for example, when the tumor eludes surgical extraction, defies radiation or other treatment, and the cancer spreads? By its terrifying "logic," when positive thinking fails the patient can only blame himself. He wasn't positive enough; indeed, perhaps his "weakness" (i.e., previous negative thinking) caused the cancer in the first place. The constant exhortation to think positively is "an additional [and perhaps unbearable] burden to an already devastated patient." And what if, despite your fervently positive thoughts, your business fails or your employer sacks you? One day in 1994, AT&T sent its staff in San Francisco to a big motivational event called "Success 1994." On the same day, it announced that during the next two years it would dismiss 15,000 of its workers. *Time* magazine reported that the message of the event's featured speaker – the self-styled "Christian" motivator Zig Ziglar: "it's your own fault; don't blame the system; don't blame the boss; work harder and pray more."<sup>7</sup>

Ehrenreich's condemnation of positive thinking as "anxiety driven by terrible insecurity" is telling: not only is it factually accurate; it alludes to this false secular ideology's unsound theological origins.<sup>8</sup> Why have Americans, in such

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<sup>7</sup> "Positive Thinking: An Unfair Burden on Cancer Patients," *Supportive Care in Cancer*, vol. 3, 1996, pp. 37-39; Richard Reeves, "Let's Get Motivated," *Time*, 2 May 1994.

<sup>8</sup> Sarah Boesveld ("Optimism May Be So Essential to Our Survival That It Is Hard-wired into the Brain," *The National Post*, 11 August 2006) discusses whether optimism stems from nature or nature – that is, whether it is an ideological (cultural) or a cognitive phenomenon. Karen Cerulo, author of *Never Saw It Coming: Cultural Challenges to Envisioning the Worst* (University of Chicago Press, 2006) "does not believe optimism is hard-wired, but rather that it is culture-driven – a product of long-

large numbers, for so long embraced positive thinking so fervently? One answer echoes Ronald Reagan: since the 17<sup>th</sup> century, what now comprises the U.S.A. has been the epicentre of the New World. This country, Reagan's disciples say, has long overflowed with opportunity and potential wealth (once the land had been expropriated and the indigenous population largely exterminated), and so it allegedly remains today. Given these boundless opportunities, pessimism and gloom simply have no place.

Another answer to this question takes American history seriously: the extreme form of Calvinism that the original settlers ("Puritans") brought from Britain to New England, the one which they established as a theocracy in Massachusetts and in which religious and other forms of tolerance and liberty (as Westerners conceive them today) were utterly alien, was a system of theologically- and socially-imposed depression. The "New Thought" of the 19<sup>th</sup> century overturned the worst aspects of the Puritans' extreme Calvinism. It's the progenitor of the ideology of positive thinking that has become pervasive since the mid-20<sup>th</sup> century. Ironically, however, New Thought preserved some of extreme Calvinism's worst features. Hence today's ideology of positive thinking is a disguised, diluted but still recognisable form of yesterday's theology of extreme Calvinism.

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standing willingness to reject or ignore the possibility of very bad things happening." "The optimism bias – our propensity to think more good will happen to us than bad – has been considered by other researchers, such as James Shepperd, professor of social psychology at the University of Florida. He and others have found that people are likely to think the chances of something bad happening to them, such as getting cancer, are far lower than what they expect for the average person. There is a comfort in believing you'll likely fare better than others, he said."

On the other hand, "The newest research suggests that optimism may actually be programmed into our grey matter. 'Optimism may be so essential to our survival that it is hard-wired into the brain,' writes London-based neuroscientist Tali Sharot in her book, *The Optimism Bias: A Tour of the Irrationally Positive Brain* (Vintage 2012). Without optimism, we'd still be lighting fires in caves; we'd lack motivation to build, to succeed, to overcome hardship." "Dr Sharot and her colleagues at University College London discovered through numerous MRI brain imaging and traditional psychological studies that our brains do a much better job of remembering and processing positive events than negative ones. That leads us to overestimate the number of good times we'll experience in the future and create inflated expectations about them – the optimism bias. 'It's irrational because people have expectations that are then not met. And even if they're not met, they don't update their expectations ... Usually we kind of' learn from the outcomes and we learn to expect things in a more realistic and accurate way. But with optimism, we don't.'"

God, as the extreme Calvinists (“Pilgrims”) of the 17<sup>th</sup> century conceived him, was not just omniscient and omnipotent: he was arbitrary and capricious, and his words and deeds revealed his cold hatred of rather than his warm love for his creatures. God created heaven as well as earth – but according to the Puritans, seating in heaven was very strictly limited. Through predestination, those who would enter heaven after they died had been selected to that blissful state even before they were born; similarly, those whose souls would descend eternally into hell had also been consigned before birth to that awful fate. God knew whether you had been saved or condemned, but during your earthly life you didn’t. Both salvation and condemnation were absolute: if before your birth God had placed you among the Elect, then no thought or deed you committed during your life – no matter how evil – could affect your salvation; and most terrifying of all, if before your birth God had decided that you were among the Condemned, then none of your thoughts or deeds, no matter how good and numerous, would affect your condemnation in the slightest.

The extreme Calvinist could never be sure of his salvation. Indeed, he necessarily deeply doubted it, and as a result he inhabited a veritable hell on earth.<sup>9</sup> His task

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<sup>9</sup> It is useful – both to reassure the believer and to inform the sceptic – to specify as clearly as possible what I believe is this fundamental error of extreme Calvinism. To do so, and at risk of oversimplification and hence misrepresentation, let’s present as syllogisms the contrasting soteriology (that is, theory and logic of salvation) of John Calvin and Martin Luther. Calvin’s major premise is “Whoever believes in Christ is saved.” Its minor premise is “I believe in Christ.” Hence he concludes: “I (and anybody else who believes) am saved.” Logically, this argument is clearly valid, but its shortcoming is obvious: is its minor premise true? Do I *really* believe? How can I truly know? I *say* that I believe, but am I just kidding myself? Perhaps my faith is flawed or insufficient? If only I prayed more, or did something to strengthen my belief, perhaps could I become confident about my salvation? Hence anxiety and even depression are almost inevitable consequences of adherence to extreme Calvinism.

In sharp contrast, Luther’s major premise is: “Christ told me ‘I baptise you in the name of the Father, Son and the Holy Spirit.’” Luther’s first minor premise is: “Christ is the Truth; He never lies.” His second minor premise is: “I have been baptised.” Luther therefore concludes: “I have new and eternal life in Christ.” Notice that Luther’s argument, unlike Calvin’s isn’t a syllogism: faith isn’t a matter of logic. Note, too, that Luther’s notion of faith is *profoundly unreflective* – that is, it does not depend upon *my* experience of believing or upon *my* confidence that *my* faith is genuine. Instead, and mercifully for my peace of mind, my faith clings to a promise – namely Christ’s

was constantly to examine “the loathsome abominations that lie in his bosom,” to uproot sinful thoughts and to disavow sinful acts. The focus was not upon *sin* – the chasm which separates errant mankind from its loving Creator, but upon *sins* – the specific thoughts and deeds of particular individuals. To renounce these thoughts and deeds was a necessary but not a sufficient condition of salvation. What was a sufficient condition? God’s grace. Who lived in a state of grace? In this life, nobody could possibly know.

From this extremely anxious, indeterminate and utterly exhausting mental work of constant self-examination, Calvinism offers only one form of relief: relentless physical labour (in the form of clearing land, planting and harvesting crops, etc.) and frugality (in order to save money and buy farms and businesses). Anything other than work of either the spiritual or physical kind, such as rest or leisure, was damnable sin. No doubt this punitive theology helped Puritans to survive and eventually thrive in environments where the barest of subsistence required the most strenuous and relentless effort. But Puritans also struggled – largely vainly – to survive extreme Calvinism. Its weight – that is, the demand that its adherents criticise themselves to the point of self-loathing – was often unbearable. It didn’t just mentally terrify its adherents: it made them physically sick. Robert Burton, a 17<sup>th</sup>-century author, identified this sickness as the cause of the epidemic of melancholy that afflicted England (and New England) in his day:

The main matter which terrifies and torments most that are troubled in mind is the enormity of their offences, the intolerable burthen of their

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promise – that is outside myself. It doesn’t depend upon me, how strongly I believe – or indeed upon anything that I do or don’t do.

Calvin and Luther agreed on many things, but their soteriology is irreconcilable. For both, faith is a condition of salvation. For Luther and Lutherans, however, *we don’t need to have any confidence in our degree of faith: we must merely accept Christ’s promise. This, mercifully, is an all-or-nothing proposition: either we trust Christ or we don’t. If we do, then we can be joyous rather than anxious about our salvation.* Luther exhorted people to believe by drawing attention to the truth of God and of Christ as the Son of God, and to warn people that their unbelief effectively makes Christ a liar. After all, very few people who’ve examined the historical evidence deny that Christ existed. The mother of all questions therefore is: is Christ exactly who he said he was, or is Christ a liar? If Calvin’s theology creates anxiety and even terror, Luther’s reverses this situation: unless I am presumptuous enough to call God and His Son a liar, I gratefully accept His gift of grace – namely that He forgives all my sins and provides eternal life.

sins. God's heavy wrath and displeasure [are] so deeply apprehended that they count themselves ... already damned ... This furious curiosity, needless speculation, fruitless meditation about election ... torment still, and crucify the souls of too many.<sup>10</sup>

Two hundred years later, in the early-19<sup>th</sup> century, "religious melancholy" pervaded New England and extended into other regions of the U.S. What about Calvin's most direct descendants, the Scots, today? According to *The Weekend Australian* (22-2 October 2005),

Dr Carol Craig, who runs Glasgow's Centre for Confidence and Wellbeing, is passionate about curing Scotland's epidemic of lack of self-esteem ... Craig believes that the dark nature of Calvinist religion is responsible for the dour Scottish people. "We're a culture that encourages feelings of lack of self-worth. We're a culture that goes out of its way to make sure people don't feel good about themselves ..."<sup>11</sup>

Also during the early-19<sup>th</sup> century, Americans began to question and eventually to reject the extreme and punitive Calvinism of their forebears. Perhaps most notably, Ralph Waldo Emerson challenged his countrymen:

why should we grope among the dry bones of the past? ... The sun shines today also. There is more wool and flax in the fields. There are new lands, new men, new thoughts. Let us demand our own works and laws and worship."<sup>12</sup>

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<sup>10</sup> Quoted in Noel L. Brann, "The Problem of Distinguishing Religious Guilt from Religious Melancholy in the English Renaissance," *Journal of the Rocky Mountain Medieval and Renaissance Association*, 1980, p. 70.

<sup>11</sup> According to the World Health Organisation, Scots children are among the least confident anywhere. Dr Craig hypothesises that "the high rate of emigration from Scotland has stripped the country of optimists and left too many pessimists behind." Scotland today "seems to be in the grip of an epidemic of pessimism and low self-esteem. There are several indicators of malaise: the Scottish suicide rate is double the English one, and antidepressant prescribing is 40% higher." See *Confidence in Scotland* (Scottish Government, Discussion Paper, March 2005).

This new, post-Calvinist and in significant respects anti-Calvinist way of thinking was called “New Thought.” It drew upon several sources, but Emerson was perhaps the most significant. Like extreme Calvinism, New Thought posited a God that was omniscient and omnipotent; unlike Calvinism, however, God was not hostile to or even indifferent to mankind. Like Calvinism, New Thought regarded man primarily in spiritual rather than physical terms; unlike Calvinists, however, adherents of New Thought believed that man and God were coterminous. Following Emerson, they confessed outright blasphemy: because there was only “One Mind,” which man shared with God, how could sin exist? If it existed at all, sin was an “error” or something akin to a physical disease – which, during the early 19<sup>th</sup> century, began to be regarded as treatable. Humans’ task was to access the boundless power of their spirit – and thereby, as semi-divine entities, to exert physical control over the world. As Emerson (quoted in Albanese, *A Republic of Mind and Spirit*, p. 167) put it, mankind

is learning the great secret, that he can reduce under his will, not only particular events, but great classes, nay the whole series of events, and so conform all facts to his character.

From this contention, it’s just a short hop, skip and jump to today’s huge and rapidly-growing genre of positive thinking and self-help. The positive thinking that emerged in the 20<sup>th</sup> century from the New Thought of the 19<sup>th</sup> provided an alternative to Calvinism. Ironically, however, it covertly preserved some of extreme Calvinism’s worst features. These similarities included unforgiving judgments of impermissible (i.e., negative and pessimistic) thoughts, which echoed the old religion’s heavy emphasis upon the condemnation of sin (and scant emphasis upon forgiveness). The Calvinist condemns and strives to avoid sinful thoughts and actions; the positive thinker eschews and strives to avoid negative thoughts and deeds; to both the Calvinist and positive thinker, one’s inner life must be subjected to relentless monitoring and self-examination.

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<sup>12</sup> See Julius H. Rubin, *Religious Melancholy and Protestant Experience in America*, Oxford University Press, 1994, p. 161, and also Albanese, *A Republic of Mind and Spirit*, p. 165.

The common insistence upon ceaseless *work* – not just external (physical) labour, but also the internal work of introspection – provides another striking continuity between the old Calvinism and the new positive thinking. Micki McGee (*Self-Help, Inc.: Makeover Culture in American Life*, Oxford University Press, 2005, p. 142) uses language that evokes its Calvinist forebears to describe today's positive thinking: "continuous and never ending work on the self is offered not only as a road to [material and social] success but also to a kind of secular salvation." As a matter of theology, extreme Calvinism does not hold that "works" (that is, any effort by humans) is a necessary condition of salvation; in practice, however, extreme Calvinists (and, in fairness, plenty of moderate Calvinists and others) often succumb to this error. Further, the self becomes an antagonist with whom one wrestles endlessly: the Calvinist attacks his own sinful inclinations; the positive thinker assails his own propensity to emit pessimistic thoughts. These kinds of effort require a bifurcation of or even an alienation from oneself: on the one hand, there's the self that requires admonishment; on the other, there's the self that does the admonishing.

Probably more than any other book, *The Power of Positive Thinking* (1952) by Norman Vincent Peale introduced Americans (and Britons, etc.) to positive thinking – and the ceaseless and exhausting work that it entails.<sup>13</sup> Peale saw the enemy, and it was pessimism. Fortunately, however, if we carefully monitor them we can – with effort in the form of affirmations, etc. – "correct" our negative thoughts, that is, transform them into positive thoughts. Given enough time and effort, positive thinking becomes "automatic" and the individual's thinking thereby becomes fully "conditioned."<sup>14</sup> Extreme Calvinism decreed that

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<sup>13</sup> Sir John Templeton, the prominent investor, was an acolyte of Norman Vincent Peale and a minor guru of positive thinking. According to the Templeton Foundation's *Capabilities Report* (2004), Sir John "credits Norman Vincent Peale's book, *The Power of Positive Thinking*, read 70 years ago, with making him realize 'what I had become in my short lifetime was mainly dependent of my mental attitudes – a mental attitude of looking for the good will bring good to you; a mental attitude of giving love will bring love to you.'" Sir John wrote (and the Templeton Foundation published) several books of the positive thinking self-help genre. These include *The Templeton Plan: 21 Steps to Personal Success and Real Happiness*; *Worldwide Laws of Life: 200 Eternal Spiritual Principles*; and *Discovering the Laws of Life*. This last book included an introduction by Norman Vincent Peale, who described Sir John as "the greatest layman of the Christian church in our time."

its followers must eject sinners from their ranks; similarly, advocates of positive thinking urge that positive thinkers drop friendships and marriages with “negative people,” and that they minimise contact with pessimistic family members, etc. Like the hero of the 17<sup>th</sup> century Calvinist classic, *The Pilgrim’s Progress*, author after author in today’s huge and growing army of positive-thinking self-help lit initially finds himself trapped by family and friends and wallowing in a slough of negativity.

Like John Bunyan’s hero, these authors then junk their old lives – and not infrequently ditch their spouses and friends – in order to remake themselves. Just as Calvinism demanded not only a brief experience of conversion but also a lifetime of self-examination, positive attitude requires constant vigilance lest one backslide. In the words of one text, it necessitates “reading something positive every morning, thinking positive thoughts every morning, ... [and] saying positive things every morning.”

Positive thinking hasn’t just conquered the business world: particularly in the U.S. but also elsewhere (such as the western suburbs of Sydney), it has overrun some churches and corrupted others. In religious terms, perhaps the most remarkable development of the late 20<sup>th</sup> century in the U.S. was the revival of the fire-and-brimstone Calvinism that has become known as the “Christian right.” At the same time that “televangelists” such as Jerry Falwell and Pat Robertson denounced sinners, a friendlier approach – positive thinking disguised as Christianity – steadily gained adherents.

Today’s most successful preachers (note that a preacher isn’t the same thing as a pastor or priest) have virtually nothing to say about Satan, Law and Gospel, heaven and hell, and sin and salvation. Specifically, they say little about Christ, his crucifixion on the cross and his resurrection from the tomb. Indeed, the cross has apparently been banished from the largest and most popular temples – the so-called “megachurches” defined by weekly attendances of 2,000 or more – of mega-evangelism. But its preachers have plenty to say about positive thinking;

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<sup>14</sup> Donald Meyer, *The Positive Thinkers: Popular Religious Psychology from Mary Baker Eddy to Norman Vincent Peale and Ronald Reagan* (Wesleyan University Press, 1998), p. 228.

indeed, they seem to talk of little else. Of the four largest megachurches in the U.S., *Time* magazine reported in 2005, three proclaim the “prosperity gospel.”

Its preachers announce not the Gospel of Christ, that is, forgiveness of sin and eternal salvation in the next life, but the “prosperity gospel” of wealth, success and health *now*, or at least soon, in *this* life. They insist that, because God wants to “prosper you,” you can have that promotion or corner office, new car or house, etc. In a poll published in *Time* magazine in 2001, an astonishing 17% of Americans who claimed that they were Christians of whatever denomination confessed this heretical “prosperity gospel.” More than 60% agreed with the statement “God wants people to be prosperous.”<sup>15</sup> Although it might retain a few fleeting allusions to orthodox Christianity, the genealogy of the “prosperity gospel” traces more or less directly to the New Thought of the 19<sup>th</sup> century and to its offshoots like Christian Science. How will prosperity (which this false gospel conceives in material rather than spiritual terms) “manifest” in your life? Not through the ancient ritual of prayer, but through the modern fetish of positive thinking. Gabriel Lischak summarised one megachurch’s message thus:

Often resembling motivational speeches, the sermons are generally about how to live a successful life – or “Jesus meets the power of positive thinking.” They are encouraging, upbeat, and usually follow on the heels of a music and video presentation. (After this, the last thing those in attendance want to hear is a sermon about “doom and gloom.”) One will often hear phrases such as “Keep a good attitude,” “Don’t get negative or bitter,” and “Shake it off and step up.”<sup>16</sup>

One televangelist of the “prosperity gospel,” Joyce Meyer, says “I believe that more than any other thing, our attitude is what determines the kind of life we are going to have.” Not your *faith*, she revealingly says, but your *attitude*. “It’s especially important to maintain a positive attitude,” she asserts in “The Power of a Positive Attitude” (16 May 2007), “because God is positive.” How to achieve

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<sup>15</sup> David van Biema and Jeff Chu, “Does God Want You to Be Rich?” *Time*, 18 September 2006, p. 48.

<sup>16</sup> Gabriel N. Lischak, “The Rise of the ‘Megachurch’: A New Phenomenon Is Taking Shape in America – One That Is Radically Redefining the ‘Christian Experience’” (6 January 2006).

the success, wealth and happiness that a positive God allegedly wants you to enjoy? For Joel Osteen (*Your Best Life Now: 7 Steps to Living at Your Full Potential*, Faith Words, 2004, pp. 5, 101, 41-42), as well as Napoleon Hill, W. Clement Stone and Norman Vincent Peale before him, success comes when you “reprogram” your mind to visualise what you desire, and through what amounts to a law of attraction. “You will produce what you’re continually seeing in your mind,” Osteen promises.

“Almost like a magnet,” he adds, “we draw in what we constantly think about.” As evidence, Osteen offers many small “victories” in his life – such as avoiding a speeding ticket and finding a parking space (indeed, “the premier spot in that parking lot”). This technique will also work “in a crowded restaurant. You can say, ‘Father, I thank you that I have favour with this hostess, and she’s going to seat me soon.’” In other words, focus upon what *you* want, and eventually, albeit possibly after you pester him long and loud enough, and lo – God will give it to you. According to the positive thinkers, God plays a mere supporting role in our lives – a kind of majordomo, über-factotum and ultra-PA all rolled into one. He fixeth my speeding tickets; he secureth me choice tables at restaurants; and he leadeth me into the promised land of prestigious cars, fashionable clothing and posh houses.

This conception, to put it mildly, utterly mocks the Lord’s Prayer. Recall its words: our Father, who art in heaven, hallowed be *thy* – not my – name. *Thy* kingdom come, and *thy* will be done, on earth as in heaven. Give us this day our daily bread – that is, what God knows that his children need rather than what his children boisterously clamor that they want. ... For *thine*, and not mine, is the kingdom, and the power and the glory, etc. In 2007, in a segment on *60 Minutes* about Joel Osteen, a professor of theology, Rev Michael Horton, rightly denounced the central notion of the “prosperity gospel” – the assertion that God stands ready to give to you anything that you want – as “heresy.” In Horton’s words, the prosperity gospel “makes religion about us instead of about God.”<sup>17</sup>

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<sup>17</sup> Similar criticism has been levelled at Norman Vincent Peale and *The Power of Positive Thinking*. The Episcopal theologian, John M. Krumm, for example, denounced the “heretical character” of Peale’s teaching. Peale’s “emphasis [is] upon techniques such as the repetition of confident phrases ...” These techniques give “the impression of a thoroughly depersonalized religion. Very little is said

What on earth has any of this to do with investing? We can answer this question with another: why analyse balance sheets, conduct tedious and arcane analyses of risks and worry about debt when – as advocates of positive thinking and the “prosperity gospel” assure us – good things will come to those who are resolutely optimistic enough to expect them? Karen Cerulo (*Never Saw It Coming: Cultural Challenges to Envisioning the Worst*, University of Chicago Press, 2006) describes and analyses several ways in which the habit of positive thinking, or what she calls “optimistic bias,” undermines preparedness and invites disaster. “I don’t want to suggest to you that being a doomsayer is a good thing,” she told Sarah Boesveld (“Optimism May Be So Essential to Our Survival That It Is Hard-wired into the Brain,” *The National Post*, 11 August 2006):

But by the same token, [optimism] is also debilitating in that if people won’t even consider thinking about worst-case scenarios even in the short term so they can plan, so they can think about what it means and have some short-term engagement – if you can’t do that, you’re always going to be destined to fail.

Recent history provides the mother of all examples. In 2007-2009, the financial system tottered, gilded economic conditions soured, unemployment soared and the chickens of debt came home to roost. How could these negative things occur? Apparently, positive thinkers hadn’t been thinking positively enough! Or had their apostles been preaching rubbish all along? Yet the purveyors of positive thinking did not – like foreclosed mortgagees – silently disappear into the night. Quite the contrary: they redoubled their efforts and, if anything, even greater numbers of people bought their books and attended their seminars. Attendance at evangelical churches, including those which offered the “prosperity gospel,” soared.<sup>18</sup>

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about the sovereign mind and purpose of God; much is made of the things men can say to themselves and can do to bring about their [own] ambitions and purposes.” Krumm cautions that “the predominant use of impersonal symbols for God is a serious and dangerous invitation to regard man as the centre of reality and the Divine Reality as an impersonal power, the use and purpose of which is determined by the man who takes hold of it and employs it as he thinks best” (see John M. Krumm, *Modern Heresies*, Seabury Press, 1961, p. 35).

<sup>18</sup> See, for example, Paul Vitello, “An Evangelical Article of Faith: Bad Times Draw Bigger Crowds,” (*The New York Times*, 14 December 2008).

Positive thinking has always thrived during periods of economic and other adversity. Most notably, the Great Depression spawned classics of self-delusion such as *Think and Grow Rich!* In 2007-2009, as jobs disappeared, positive thinkers urged that people examine themselves even more closely, monitor their thoughts and focus ever more intently upon their desires. Avoid negative people and the consumption of negative news, and steer clear of “office water-cooler whine-fests,” wrote Cindy Krischer Goodman (“How to Survive the Economic Crisis: Be Positive, Proactive,” *The Miami Herald*, 28 October 2008). Jodie Tilman (“If You’re Unhappy and Know It, Shut Up,” *The St Petersburg Times*, 29 January 2008) offered tough love. If employees “can’t pretend to be upbeat at work when they feel so miserable,” they should “fake it.” As for “workforce change,” which meant layoffs and in some instances mass sackings, she tartly advised: “deal with it, you big babies.”

Positive thinking, its proponents insisted, wouldn’t just resolve the individual’s plight: it would also reverse the American economy’s downward spiral. What’s a financial crisis, anyway, but an outbreak of mass pessimism? According to an op-ed article in *The Chicago Tribune* (Dennis Byrne, “Facts You Just Can’t Believe In,” 30 December 2008), which was published around the time it sought bankruptcy protection, “the constant bad-mouthing, ... got us to where we are now, turning a limp economy into a poor one, threatening to turn a recession into a depression.” To positive thinkers, the solution was obvious:

Knock off the bad-mouthing. Brush off the accusations of being Pollyannaish, naïve, or worse ... Exult in the prospects, understand that we can pour whatever trillions we can get our hands on into the economy, but it won’t do any good unless we, ourselves, look forward with trust and confidence.

*Yet during these same years, it became ever more apparent to anybody prepared to think dispassionately rather than positively that, by its own standards, the ideology of positive thinking had failed miserably. If it revealed anything, the GFC showed that – in defiance of the “law of attraction” – for most Americans things weren’t and aren’t getting better, and for significant numbers they’ve long been bad and*

during and since 2007-2009 have become worse.<sup>19</sup> Although a few have become vastly richer, America's poor, by and large in recent decades, have remained poor and their ranks have increased. As a result, the position of the middle class in America has become less secure and more tenuous.

Gary North ([Bernanke's Bust: Median Household Income Is Lower Today Than in 2009](#), 24 August 2013) quantifies this slide:

Median household income is a good test of a household's economic well-being. Half of households earn more. Half earn less. With mean average income, the incomes of the rich skew the figure upward. Not with median income. After four years of the Federal Reserve's tripling of the monetary base, Americans are worse off today. Worse than in the supposed bottom of the recession? Yes. This report tells the story. Household income is down 4.4%. Based on new estimates derived from the monthly Current Population Survey (CPS), real median annual household income, while recovering somewhat from the low-point reached in August 2011, has fallen by 4.4% since the "economic recovery" began in June 2009. Adding this post-recession decline to the 1.8% drop that occurred during the recession leaves median annual household income is now 6.1% below the December 2007 level.

Sentier Research supplied these figures. Here is the company's assessment. "Based on our data, almost every group is worse off now than it was four years ago, with the exception of households with householders 65 to 74 years old." This means we were far better off in 2007, before the recession began. What are the numbers? After adjusting for changes in consumer prices, median annual household income declined during the officially-defined recession from \$55,480 in December 2007 to \$54,478 in June 2009. During the "economic

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<sup>19</sup> On 20 August 2013, James Rickards (author of the best-seller entitled *Currency Wars: The Making of the Next Global Crisis*, Portfolio Trade, 2012) spoke to Greg Hunter ([Everything Wrong in 2008 is Worse Today](#)). What's going to cause the next crisis? Rickards says: "The problem in 2008 was too-big-to-fail banks. Well, those banks are now bigger. Their derivative books are bigger. In other words, everything that was wrong in 2008 is worse today."

recovery”, as the unemployment rate and the duration of unemployment remained high, median annual household income continued its decline, reaching a low point of \$50,722 in August 2011. As of June 2013 median household income had recovered somewhat to \$52,098 (seasonally adjusted).

*It gets worse. It turns out that Greenspan failed, too. We are worse off than in 2000. Compared to January 2000, the beginning point for our monthly statistical series, median annual household income is now lower by 7.2%. (All income amounts in this report are before-tax money income and are presented in terms of June 2013 dollars). You knew you were not doing better. Obama has told you otherwise. So has the Federal Reserve. They lie. They never factor in purchasing power – what the Federal Reserve has done to the dollar [italics added].*

Perhaps that’s one reason why Americans as a whole aren’t happy. Indeed, perhaps that helps to explain why many Americans are depressed. It’s not *despite* they think so positively – it’s *because* they do so, and *because* reality mocks these delusional thoughts – that so many are so miserable. Psychologists’ measurements of the relative happiness of nations routinely conclude that – even during the superficially prosperous two decades before 2007 – Americans were not very happy at all. A meta-analysis of over a hundred studies of self-reported happiness conducted world-wide (“Psychologist Produces the First-Ever ‘World Map of Happiness,’” *ScienceDaily*, 14 November 2006) found that Americans ranked only twenty-third on the list of the world’s happiest people – well behind, for example, the allegedly sombre Finns.<sup>20</sup> Another sign of relative

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<sup>20</sup> “If you’re looking for happiness on your next holiday,” said news.com.au (“These Are the World’s Happiest Countries,” 11 September 2013), “head to northern Europe. That’s according to the 2013 *World Happiness Report*, which was compiled in 2010-2012 for the UN and which has ranked 156 countries around the world. Denmark took the top spot, followed by Norway, Switzerland the Netherlands and Sweden. Canada ranked sixth, followed by Finland, Austria and Iceland. Australia ranked tenth, New Zealand 13<sup>th</sup>, the U.S. 17<sup>th</sup> and the UK 22<sup>nd</sup>. On p. 82 the Report states: “The ethos of hyper-commercialism has prevailed in the U.S. for around one century. It remains the dominant U.S. ethos today. Yet ... hyper-commercialism has failed to lift average U.S. happiness for a century. ... The U.S. ranks just 17<sup>th</sup> in happiness, though it has a higher income per capita than the 16 countries ahead of it, with the exception of Norway.”

distress: Americans account for two-thirds of the global market for antidepressants; indeed, in the U.S. chemists prescribe these drugs more commonly than any other. If so many Americans didn't quaff such vast quantities of antidepressants, would their worldwide ranking in the happiness sweepstakes sink even further? It's ironic: extreme Calvinism depressed its adherents, and New Thought sought to reverse that gloom. Yet as Barbara Ehrenreich concludes, its contemporary descendant, positive thinking, "is driven by a terrible [Calvinist] insecurity."

Strenuous attempts to think positively haven't just rendered its legions anxious and unhappy: it has deluded them. "At the heart of any economic or financial mania," wrote Steven Pearlstein in *The Washington Post* ("A Perfect Storm? No, a Failure of Leadership," 12 December 2008), "is an epidemic of self-delusion that infects not only large numbers of unsophisticated investors but also many of the smartest, most experienced and sophisticated executives and bankers." In "The End of Wall Street's Boom" (Portfolio.com, December 2008), Michael Lewis glimpsed how positive thinking eventually wreaked havoc in Wall Street: "anybody who voiced negativity was thrown out." A rare sceptical analyst whom Lewis profiled condemned the typical executive's delusional – that is, euphorically positive – mindset. He called it "hedge fund disease, and added that

it should be in the DSM-V [the American Psychiatric Association's manual of disorders]. It used to be suffered only by kings and dictators. The symptoms are megalomania, plus narcissism, plus solipsism." [If your financial net worth is \$500 million], how could you be wrong about anything? To think something is to make it happen. You're God.

This is the state of mind lauded by every positive thinker from Ralph Waldo Emerson to Mary Baker Eddy (the founder of "Christian Science"), Napoleon Hill, Norman Vincent Peale and Joel Osteen. It's the state of mind that, despite reality's best efforts, continues to prevail today. "I don't see much evidence of an equity bubble," Ben Bernanke assured the world on 26 February 2013. "At this stage, there are some signs that investors are reaching for yield," the Fed's Vice-Chair, Janet Yellen, added on 4 March 2013, "but I do not now see pervasive

evidence of trends such as rapid credit growth, a marked buildup in leverage, or significant asset bubbles that would clearly threaten financial stability.” Do these statements make you feel better – or worse?

By its own criteria, ideology of confidence, optimism and positive thinking has failed utterly and completely. Fix your thoughts resolutely on the upside, this dogma falsely urges, and the downside will disappear. Elementary logic, basic common sense and a decent respect for everyday reality beg to differ. Positive thinking created self-delusion on a mass and even epic scale; and these fantasies worsened (but admittedly did not cause) the financial and economic bacchanalia which triggered the Global Financial Crisis. The GFC, which punctured some but by no means all of these illusions, belatedly demonstrated to many people that they’re not nearly as prosperous as they had supposed. It also demonstrated that things don’t inevitably improve. Given their underlying anxiety, this belated recognition has rendered many people even more miserable.

Positive thinkers might ask: “isn’t it better to expect material and social success here and now than it is to obsess about damnation and hell (as extreme Calvinists once did)?” But why should *anybody* – whether secularist or Christian – obsess about oneself? Why spend so much time looking inward and exerting so much futile effort “reprogramming” your thoughts when, out there in the real world – that is, beyond the space between your ears – there’s so much real and worthwhile work, secular and spiritual, to do? If you think about others rather than yourself, you might forget about your own troubles (and, more importantly, your vanity and pride). With a bit of luck, you’ll recognise that there’s always somebody whose circumstances are worse than yours. That shouldn’t make you happy, but it’ll give you reason to be thankful.

It’s worth repeating Terrence Odean: “psychologists have found that people who are mildly depressed tend to have the most realistic outlook.” Similarly, some studies have concluded that in the long run mild pessimism can be healthier than optimism and happiness.<sup>21</sup> One study conducted in 2002 found that women who are mildly depressed are more likely to live longer than women who are not

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<sup>21</sup> For a readable review of this large literature, see Barbara Held, “The Negative Side of Positive Psychology,” *Journal of Humanistic Psychology*, vol. 44, Winter 2004, pp. 9-46.

depressed or are very depressed. Another, a longitudinal study of more than 1,000 schoolchildren in California, concluded that optimism was likely to lead to an earlier death in middle or old age – *possibly because the study's optimistic subjects took more risks*. Yet another found that pre-teenagers who were realistic about their standing among their peers were less likely to become depressed than those who held positive illusions about their popularity. Perhaps the most surprising case for mild pessimism comes from a study conducted in 2001 by none other than Martin Seligman – the “father of positive psychology.” It concluded that older pessimists were less likely to fall into depression following a negative event such as the death of a family member. This conclusion led Seligman to comment in *The New York Times*: “it’s important that optimism not be [footloose] and unwarranted.”<sup>22</sup> Even among positive thinkers, it seems, realism has its uses.

The question thus arises: if not confidence, optimism and positive thinking, then what? One blogger asserts “only one group of people [is] not habitually overconfident. Unfortunately these people are, instead, habitually miserable. It turns out that to invest sensibly you need to be depressed.” That’s false: the alternative to irrational exuberance is not hyper-caution and despondency; the substitute for optimism is not pessimism; and the alternative to looking at the bright side to the exclusion of all else is not ignoring the upside and grousing relentlessly at what will inevitably go wrong. *The alternative to thinking positively is not thinking negatively, but rather validly and reliably; if you can do so consistently, then on the whole you’ll think and act realistically. So eschew irrational exuberance as well as unreasonable despondency; instead, embrace reasoned scepticism.*

Says Ehrenreich: “The truly self-confident, or those who have in some way made their peace with the world and their destiny ... do not need to expend effort censoring or otherwise controlling their thoughts.” The maxim “protect the downside and the upside will take care of itself” reflects this attitude. *Don’t try to*

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<sup>22</sup> See Melissa Healy, “It’s Best If They Know,” *The Los Angeles Times*, 30 October 2006; Derek M. Isaacowitz with M.E.P. Seligman, “Is Pessimistic Explanatory Style a Risk Factor for Depressive Mood among Community-Dwelling Older Adults?”, *Behavior Research and Therapy*, vol. 39, 2001, pp. 255-272; and Mary Duenwald, “Power of Positive Thinking Extends, It Seems, to Aging,” *The New York Times*, 19 November 2002.

*control your thoughts; instead, focus your analyses.* Given a choice among various options, it makes sense to specify and analyse possible disadvantages, things that can go wrong, etc. – not because we necessarily expect that they will, but because we wish to avoid or at least mitigate the likelihood that we underestimate risks and uncertainties.

A gloomy expectation that something *will* go wrong is not the most appropriate and mindful attitude; nor is the Pollyannaish expectation that all's well and will certainly become even better. So what is? An attitude of vigilance regarding things that *might* go awry. Thinking and acting *as if* the glass is significantly less than half-full is an essential pillar of the mindset required in order consistently to invest successfully. Vigilance and scepticism are not pessimism. If our enquiries show that the glass really is half-full, we rejoice – but we don't therefore expect that it will fill at some point in the near future, and in the meantime we do what we reasonably can to prevent it from spilling.

Ruth Ostrow ("The Freedom to Be Happy," *The Weekend Australian*, 10-11 August 2013) reports:

U.S. psychologist Martin Seligman, the father of positive thinking, says some people are born optimists [and] others are natural pessimists. The good news, he says, is that pessimists can be redeemed by practicing positive thinking.

As usual, academics have things back-to-front: *the truly good tidings are that positive thinkers can be redeemed by thinking realistically.* As they assess options, people in general and investors in particular should be neither confident nor apprehensive, neither optimistic nor pessimistic, and they should think neither positively (that is, censoring negative thoughts) nor negatively (that is, censoring positive thoughts). Instead, they should strive to reason validly, reliably and dispassionately. "The market is a pendulum," said Jason Zweig in his commentary on Chapter 8 of *The Intelligent Investor*,

that forever swings between unsustainable optimism (which makes stocks too expensive) and unjustified pessimism (which renders

them too cheap). The intelligent investor is a realist who sells to optimists and buys from pessimists.

*Chris Leithner*