



Full Reading List

In April, 2014, I decided to start emailing my friends book recommendations every month. After two years, hundreds of books, and seven thousand new readers, I've finally pulled the full list together. This is the full archive of everything I've ever recommended.

Every book has a link that [looks like this](#), along with the description that I originally wrote after reading each book. For most books, I include a great passage or two. You can use these descriptions and passages to gauge, or pique, your interest.

This list is meant to foster a community of book lovers. Share it! Send the PDF or link to your family, friends, co-workers, and enemies (broad reading, like extensive travel, kills prejudice).

If you are arriving at this document from a link, welcome! I send out 3-4 books every month, which you can receive via email by [signing up for the "Book Club" here](#).

Happy Reading,

Patrick (patrick.w.oshaughnessy@gmail.com, send me book recs!).

The Act of Creation by Arthur Koestler

This book is old and out of print. My copy is a tattered paperback that looks like someone forgot it on the beach. It has an old-school, academic feel to it. This is my favorite book on creativity. I used to think others were pioneers on the topic: De Bono, Csikszentmihalyi, Thiel. Then I read this book and realized they are all just borrowing from him.

Koestler identifies humor, discovery (science, business), and art as the three primary areas of creative potential and explores each in detail. This book is a history of creativity, a how to guide, and a philosophical journey. Creativity is all about collecting pieces and making new associations. One must move away from habitual thinking and over-saturated concepts:

*These silent codes can be regarded as condensations of learning into habit. Habits are the indispensable core of stability and ordered behavior; they also have a tendency to become mechanized and to reduce man to the status of a conditioned automaton. The creative act, by connecting previously unrelated dimensions of experience, enables him to attain to a higher level of mental evolution. It is an act of liberation--**the defeat of habit by originality**... It has been said that discovery consists in seeing an analogy which nobody had seen before.*

I could write a whole book based on the insights from this book. It is the best book I've ever read on creativity. I wrote about the six best here.

The Tiger: A True Story of Vengeance and Survival by John Vaillant

One of the most amazing books I've read in the last few years. The premise is simple: a hunt for a man-eating tiger in the remote taiga of eastern Russia circa 1997. With this as a backdrop, the author (an amazing writer) explores the human condition, our relationship with nature and with animals. You will learn why the brand name "Viagra" comes from the Sanskrit word for 'tiger.'

Within every major ecosystem nature has produced, she has evolved a singularly formidable predator to rule over it. In Primorye, the Amur tiger is the latest, most exquisitely lethal manifestation of this creative impulse...

"The most terrifying and important test for a human being is to be in absolute isolation," he explained. "A human being is a very social creature, and ninety percent of what he does is done only because other people are watching. Alone, with no witnesses, he starts to learn about himself—who is he really? Sometimes, this brings staggering discoveries. Because nobody's watching, you can easily become an animal: it is not necessary to shave, or to wash, or to keep your winter quarters clean—you can live in shit and no one will see. You can shoot tigers, or choose not to shoot. You can run in fear and nobody will know. You have to have something—some force, which allows and

helps you to survive without witnesses...Once you have passed the solitude test," continued Solkin, "you have absolute confidence in yourself, and there is nothing that can break you afterward."

Shadow Divers: The True Adventure of Two Americans Who Risked Everything to Solve One of the Last Mysteries of World War II by Robert Kurson

Two divers discover a U-Boat sunk off of the New Jersey coast which cannot be identified, and then go to amazing lengths to explore and ultimately identify the boat. I could not put this book down. Kurson is a gifted storyteller. One good lesson for investors is to never trust official documents or data. We tend to believe that data is fact, but it is created/reported by fallible people. If a particular datum matters to you, you should always double check for accuracy. Data gets fudged all the time.

[After two years, this is probably the most "bullet-proof" recommendation I've given. Every single person loves it]

Innovation and Entrepreneurship (Routledge Classics) by Peter Drucker

If you want the most business oriented book on creativity, you cannot do better than Peter Drucker. The book explores these seven areas: the unexpected event, incongruities, process need, changes in market structure, demographics, changes in perception, and new knowledge. Each can be used to find areas of a market ripe for innovation.

Like most books I've read on innovation and creativity (a long list), this one de-emphasizes the individual genius aspect. Drucker agrees that creativity is a process and that it requires hard work:

innovation is a discipline, with its own, fairly simple, rules. And so is entrepreneurship. Neither of them requires geniuses. Neither of them will be done if we wait for inspiration and for the 'kiss of the muse'. Both are work whatever changes the wealth-producing potential of already existing resources constitutes innovation.

Drucker makes a compelling case that most innovation isn't in the technology field (in fact, technology is one of the hardest fields in which to innovate. Rather, innovation is about recognizing a new pattern which fits an emerging need in the world:

There was not much new technology involved in the idea of moving a truck body off its wheels and onto a cargo vessel. This 'innovation', the container, did not grow out of technology at all but out of a new perception of the 'cargo vessel' as a materials-handling device rather than a 'ship', which meant that what really mattered was to make the time in port as short as possible. But this humdrum innovation roughly quadrupled the productivity of the ocean-going freighter and probably saved shipping. Without it, the

tremendous expansion of world trade in the last forty years – the fastest growth in any major economic activity ever recorded – could not possibly have taken place.

This next passage sounds a lot like *Zero to One*:

Still, successful entrepreneurs aim high. They are not content simply to improve on what already exists, or to modify it. They try to create new and different values and new and different satisfactions, to convert a ‘material’ into a ‘resource’, or to combine existing resources in a new and more productive configuration.

Drucker encourages us to use the seven areas listed above to find current opportunities. Forecasting is too hard so “don’t try to innovate for the future. Innovate for the present!”

Creativity: Flow and the Psychology of Discovery and Invention by Mihaly Csikszentmihalyi

This book studies creative people and creates a common framework for creativity based on their lives and insights (I may have recommended it before, too lazy to check!). What sets this book apart is its discussion of the environment in which creative people make their discoveries. Csikszentmihalyi highlights the importance three aspects:

creativity results from the interaction of a system composed of three elements: a culture that contains symbolic rules, a person who brings novelty into the symbolic domain, and a field of experts who recognize and validate the innovation. All three are necessary for a creative idea, product, or discovery to take place... creativity does not happen inside people’s heads, but in the interaction between a person’s thoughts and a sociocultural context. It is a systemic rather than an individual phenomenon.

Changing the conditions of your environment can increase the potential for creative insight. You’ll want to incorporate people and ideas from a lot of different areas.

It also seems true that centers of creativity tend to be at the intersection of different cultures, where beliefs, lifestyles, and knowledge mingle and allow individuals to see new combinations of ideas with greater ease. In cultures that are uniform and rigid, it takes a greater investment of attention to achieve new ways of thinking. In other words, creativity is more likely in places where new ideas require less effort to be perceived.

That was just two of my 125 highlights from this book. There is a ton in here to ponder and to help you better set yourself up for creative success.

A Technique for Producing Ideas by James Webb Young

If you prefer fast reads and only want to read one of these books, this is the one for you. This book lays out the creative process almost like the scientific method. This book is entirely free of fluff or hero-worship (a common problem I've had with books on creativity).

Here is a distillation. Each of these five stages below is carefully considered. This is the book that cemented my goal to constantly collect ideas from a lot of different fields and store them in one place.

First, the gathering of raw materials—both the materials of your immediate problem and the materials which come from a constant enrichment of your store of general knowledge. Second, the working over of these materials in your mind. Third, the incubating stage, where you let something beside the conscious mind do the work of synthesis. Fourth, the actual birth of the Idea—the “Eureka! I have it!” stage. And fifth, the final shaping and development of the idea to practical usefulness.

Essays and Lectures: (Nature: Addresses and Lectures, Essays: First and Second Series, Representative Men, English Traits, and The Conduct of Life) by Ralph Waldo Emerson

The first part of creative success is gathering pieces (ideas). The second part is putting those pieces together into new patterns, which requires that the creative person make new associations, or sees a pattern amongst pieces that others have overlooked.

Collecting pieces is simple, but it is hard work. The second stage—associative combination—is a little trickier. I believe that the key is to foster an independent, authentic mind and world-view. Most people are “repetition machines,” automatons that function by habit and never explore new things. When I am feeling conventional (happens often), Emerson's essay *Self Reliance* is my favorite antidote.

Along with Jiddu Krishnamurti and Thoreau, Emerson challenges us directly to be our own individuals and see the world through our own eyes, rather than through those of others. This is MUCH harder than it sounds, because habits are the brain's way of saving energy. Overcoming habit and conventional thought/behavior requires great effort. But the resulting “clean” mindset may be the key to making new associations, because you'll be able to view the pieces you've collected with a fresh perspective. Here are a few choice passages from Emerson's essay *Self Reliance*.

I READ the other day some verses written by an eminent painter which were original and not conventional. The soul always hears an admonition in such lines, let the subject be what it may. The sentiment they instil is of more value than any thought they may contain. To believe your own thought, to believe that what is true for you in your private heart is true for all men,—that is genius... for the inmost in due time becomes the

outmost, and our first thought is rendered back to us by the trumpets of the Last Judgment.

A man should learn to detect and watch that gleam of light which flashes across his mind from within, more than the lustre of the firmament of bards and sages. Yet he dismisses without notice his thought, because it is his. In every work of genius we recognize our own rejected thoughts; they come back to us with a certain alienated majesty.

There is a time in every man's education when he arrives at the conviction that envy is ignorance; that imitation is suicide; that he must take himself for better for worse as his portion; that though the wide universe is full of good, no kernel of nourishing corn can come to him but through his toil bestowed on that plot of ground which is given to him to till.

*Society everywhere is in conspiracy against the manhood of every one of its members. Society is a joint-stock company, in which the members agree, for the better securing of his bread to each shareholder, to surrender the liberty and culture of the eater. **The virtue in most request is conformity. Self-reliance is its aversion. It loves not realities and creators, but names and customs...** Whoso would be a man, must be a nonconformist. He who would gather immortal palms must not be hindered by the name of goodness, but must explore if it be goodness. Nothing is at last sacred but the integrity of your own mind.*

Nobody Wants to Read Your Sh*t: Why That Is And What You Can Do About It by Steven Pressfield

I've enjoyed all of Pressfield's nonfiction. You can read each of them in one sitting. This book is written in the same style *Turning Pro* or *The War of Art*—each chapter is a single, very short thought or story. This book teaches you how to craft a message: an advertisement, a novel, a eulogy, a non-fiction book, a market commentary, etc. If you care about the quality of your communication with others, this book will be helpful.

*When you understand that nobody wants to read your sh*t, your mind becomes powerfully concentrated. You begin to understand that writing/reading is, above all, a transaction. The reader donates his time and attention, which are supremely valuable commodities. In return, you the writer must give him something worthy of his gift to you.*

Let's start by reviewing the universal principles of storytelling. (This is really a distillation of everything we've learned so far from advertising, fiction, and filmmaking.)

- 1) Every story must have a concept. It must put a unique and original spin, twist or framing device upon the material.*
- 2) Every story must be about something. It must have a theme.*
- 3) Every story must have a beginning, a middle, and an end. Act One, Act Two, Act Three.*
- 4) Every story must have a hero.*
- 5) Every story must have a villain.*
- 6) Every*

story must start with an Inciting Incident, embedded within which is the story's climax. 7) Every story must escalate through Act Two in terms of energy, stakes, complication and significance/meaning as it progresses. 8) Every story must build to a climax centered around a clash between the hero and the villain that pays off everything that came before and that pays it off on-theme. There is nothing about any of these principles that cannot be applied to nonfiction, including your presentation on geraniums to the Master Gardening class.

The Wayfinders: Why Ancient Wisdom Matters in the Modern World (CBC Massey Lectures) by Wade Davis

I grew up arrogant about the western way of thinking and living, believing the western way to be the pinnacle of cultural achievement. Then I went to college, studied eastern philosophy (a rare pursuit at Notre Dame), and discovered a new world-view that seemed much more...complete, or finished...than the western one. The *striving* that is baked into American culture produces incredible outcomes in many ways, but perhaps happiness/joy is not one of them. The *experience of moment-to-moment awareness* that lies at the center of several cultures explored in this book is a wonderful compliment, if not alternative, to western striving.

One Amazon reviewer calls this book "another solution to being human." I like that a lot because it captures the spirit of the book. I especially loved the chapter on the people of the Anaconda, but every chapter was wonderful.

Essays and Aphorisms (Classics) by Arthur Schopenhauer

There is no more readable or insightful philosopher than Schopenhauer. This book covers just about everything, but I especially enjoyed the sections on reading, writing, and thinking. I read a lot, but Schopenhauer makes the case that too much reading is a very bad thing because it starves us of time to think. He advocates hands-on thinking over endless reading.

much reading robs the mind of all elasticity, as the continual pressure of a weight does a spring, and that the surest way of never having any thoughts of your own is to pick up a book every time you have a free moment. The practice of doing this is the reason erudition makes most men duller and sillier than they are by nature and robs their writings of all effectiveness: they are in Pope's words: For ever reading, never to be read.

A truth that has merely been learnt adheres to us only as an artificial limb, a false tooth, a wax nose does, or at most like transplanted skin; but a truth won by thinking for oneself is like a natural limb: it alone really belongs to us. This is what determines the difference between a thinker and a mere scholar.

if the imagination is to be fruitful it must have received a great deal of material from the outer world, for this alone can fill its store-room. But the nourishing of the fantasy is like the nourishing of the body: it is precisely at the time it is being given a great deal of

nourishment which it has to digest that the body is at its least efficient and most likes to take a holiday – yet it is to this nourishment that it owes all the strength which later, in the right season, it manifests.

All in all, I made more than 100 highlights and notes. Schopenhauer is my favorite western philosopher, and this book is the best collection of his ideas.

Double Your Profits In Six Months or Less by Bob Fifer

Bad title for a very interesting (if somewhat dated) book. It's a book about business and profits, but there is a lot in here that applies to your personal life too. I've heard that 3G, the famous private equity firm which most recently partnered with Berkshire on Kraft Heinz, encourages managers to read the book and apply its principles.

The principle that resonated most with me were the ideas of cutting unnecessary costs and other crap... "Never write a memo if telling someone will do, never call a meeting if a memo will do, never call a four-hour meeting if a one-hour meeting will do, never have two meetings if one will do, and never set up a process if two meetings will do." Fifer advocates *increasing* what he calls "strategic costs," or costs that bring in business and improve the bottom line. In fact, your goal should be to outspend all others on strategic costs. But non-strategic costs should be cut to the bone, and no cost is too small. This reminded me of Bear Stearns's Ace Greenberg and his obsession with paper clips!

There is more: on costs, sales, management, and all other areas of business. The book's advice can come off as a bit cold and Spock-like, but I think the end result for most companies, were they to follow the book's principles, would be very positive—not just for the bottom line, but for culture as well.

I liked these quotes too:

No business ever made a penny on a forecast. Optimizing profits is what the business is here for, not predicting them. At most companies, I would eliminate 80% of the people resources dedicated to forecasting and number-crunching and spend that time on making money, not counting it.

Superb managers do 1% of the work but add more than 50% of the value to their organizations, because they make the truly profit-enhancing decisions based on superior experience and judgment. [This and many other sections of the book made me think of Paul Graham's essays on inequalities]

I liked this final passage just because it's so contrarian—even though I do believe in making the customer experience as good as possible. I'd love to hear Jeff Bezos's reaction to this (he might just say "scoreboard" and point to AMZN stock's rise without hardly any profits).

MAXIMIZING CUSTOMER SATISFACTION LEADS TO BANKRUPTCY *There are many ways to differentiate your company's products and to achieve superior customer satisfaction: By offering higher quality (e.g., Mercedes Benz), better service (Disney), a*

*broader selection (Toys “Я” Us), a superior brand image (Federal Express), or some combination of the above. All of these are nice things to have, but all cost money to provide. The goal of the profit-maximizing organization is not to maximize differentiation, but to: Provide those elements of differentiation that the customer is willing to pay for and not those that the customer is not willing to pay for. This is not insensitive or selfish; this is survival and common sense...You are not doing customers a favor by building unwanted differentiation and costs into your products or services that raise the prices your customers have to pay. Sooner or later, they’ll switch to a supplier smart enough to include the right but exclude the wrong types of differentiation...Striking the right balance as to what to sell your customer is where the profits are, where the greatest judgment is required, and where the true fun of running a business lies. You must conceive a way to offer superior differentiation, or you have nothing to sell. However, the vast majority of people in your organization—the salespeople, the engineers, the marketers, the entrepreneurs—are trained to add differentiation. Who is trained to eliminate those costly elements of differentiation that the customer is not (or no longer) willing to pay for? The answer is precious few, and that’s why it’s so critical for you to train the organization to create a culture of “What is the customer willing to pay for?”... **“Maximizing Customer Satisfaction” is a platitude and a cop-out.***

As a counterpoint, I suggest Jeff Bezos’s latest annual letter to shareholders, hot off the presses.

Drunk Tank Pink: And Other Unexpected Forces that Shape How We Think, Feel, and Behave by Adam Alter

The title refers to a remarkable phenomenon: if you expose men to the color pink for prolonged periods, they get weaker, calmer, and generally more sedated. When the effect was first discovered, the color “drunk tank pink” became a popular tool. Holding cells, for example, were painted pink to calm prisoners. This book is chock full of interesting and useful examples of subconscious behavioral triggers, including several specific to the stock market. You’ll learn how more pronounceable ticker symbols (e.g. OPEN, HOG) result in better IPO performance, and how seeing a yin-yang symbol can affect our investing decisions.

The Hero with a Thousand Faces by Joseph Campbell

Campbell wrote, “It takes courage to do what you want. Other people have a lot of plans for you. Nobody wants you to do what you want to do. They want you to go on their trip, but you can do what you want.” Doing one’s own thing in the face of external pressures is so hard, but ultimately so rewarding. When I checked my archive, I could hardly believe that I hadn’t recommended this book to this list before. I recommend Campbell’s entire catalogue, but this book was Campbell’s opus and it is one of my favorite books. It is a meta-analysis of hero journeys, which all follow a similar, circular path (separation, initiation, return). This story arc is so universal across historical cultures because it is a metaphor for the human experience itself.

The mythological hero, setting forth from his common-day hut or castle, is lured, carried away, or else voluntarily proceeds, to the threshold of adventure. There he encounters a shadow presence that guards the passage. The hero may defeat or conciliate this power and go alive into the kingdom of the dark (brother-battle, dragon-battle, offering, charm), or be slain by the opponent and descend in death (dismemberment, crucifixion). Beyond the threshold, then, the hero journeys through a world of unfamiliar yet strangely intimate forces, some of which severely threaten him (tests), some of which give magical aid (helpers). When he arrives at the nadir of the mythological round, he undergoes a supreme ordeal and gains his reward. The triumph may be represented as the hero's sexual union with the goddess-mother of the world (sacred marriage), his recognition by the father-creator (father-atonement), his own divination (apotheosis), or again - if the powers have remained unfriendly to him - his theft of the boon he came to gain (bride-theft, fire-theft); intrinsically it is an expansion of consciousness and therewith of being (illumination, transfiguration, freedom). The final work is that of the return. If the powers have blessed the hero, he now sets forth under their protection (emissary); if not, he flees and is pursued (transformation flight, obstacle flight). At the return threshold the transcendental powers must remain behind; the hero re-emerges from the kingdom of dread (return, resurrection). The boon that he brings restores the world (elixir).

Note: this book is written in an academic style, and if that bothers you, then I suggest instead his *Reflections on the Art of Living*.

[The Snow Leopard \(Penguin Classics\) by Peter Matthiessen](#)

This book won the National Book Award in 1979, and deserves a resurgence. I recommended the author's novel *At Play in the Fields of the Lord* last month. Incidentally, he's the only person to have won the national book award in both fiction and non-fiction—not too shabby. Oh and he was also a CIA agent and a Buddhist priest. You'll love this book if you like any of the following: travel writing, philosophy, Zen, Buddhism, navel-gazing, the Himalayas.

What really struck me were profound passages like the two below, which appear throughout the book. The phrases “retreat from wonder” and “proliferation without joy” have really stuck with me.

*Amazingly, we take for granted that instinct for survival, fear of death, must separate us from the happiness of pure and uninterpreted experience, in which body, mind, and nature are the same. And this debasement of our vision, **the retreat from wonder**, the backing away like lobsters from free-swimming life into safe crannies, the desperate instinct that our life passes un-lived, is reflected in **proliferation without joy**, corrosive money rot, the gross befouling of the earth and air and water from which we came.*

I feel great gratitude for being here, for being, rather, for there is no need to hie oneself to the snow mountains in order to feel free. I am not here to seek the “crazy wisdom”; if I

am, I shall never find it. I am here to be here, like these rocks and sky and snow, like this hail that is falling down out of the sun.

Concentrated Investing: Strategies of the World's Greatest Concentrated Value Investors by Allen C. Benello, Michael van Biema , Tobias E. Carlisle

This book reminded me a bit of *The Outsiders*: it is structured at 9 different stories about successful concentrated value investors. The chapter of Kristian Siem—whose story is well known in Europe but not in the U.S.—is worth the price of the book on its own. It was one of the best chapters in an investing book that I've ever read.

What this book re-affirmed for me was the importance of “committed” capital. None of these investors would have been as successful if they were myopically focused on quarterly performance numbers and investor cash flows. The principle-agent problem is rampant in the asset management business. No matter how smart a portfolio manager is (or no matter how big her “edge”), she will fail if she cannot keep her investors invested. This means that even the best will sometimes position their portfolios to maximize the odds of client retention, not long term returns. Not having to worry about outflows is a huge (and rare) advantage—one enjoyed by several of the people profiled in this book.

Brute: The Life of Victor Krulak, U.S. Marine by Robert Coram

The title makes this sound like a traditional biography, but it is as much the story of the Marine Corp as a biography of Brute Krulak. Like Coram's book *Boyd* (a favorite of mine), this one is compelling from the beginning. I knew very little about the Marines. Now I know a lot. I loved all the little stories, like this one:

Shepherd summoned the Japanese commander, Major General Eiji Nagano, and gave him seventy-two hours to submit a list of all weapons held by his men and surrender those weapons. Nagano agreed. When he came to Shepherd's office, he placed a stack of papers on the American's desk and asked to speak. Krulak remembers that Nagano was quite fearful when he said, "If you oblige us to lay down our arms, the Communists will kill us. I ask you to leave each man his rifle, each officer his pistol, and each individual with five rounds of ammunition. We can't harm you with that small amount of ammunition, but it will save our lives." Today any general presented with such a proposal would relay the request to his superior, who would go to the Joint Chiefs of Staff, who would contact the secretary of defense, who would contact the White House. But Shepherd was a wartime general not afraid to make decisions. "That's a deal," Krulak remembered Shepherd saying.

The Perfect Bet: How Science and Math Are Taking the Luck Out of Gambling by Adam Kucharski

A fun book on gambling, odds, and finding suckers. Loved this anecdote about Richard Feynman and Nick the Greek:

THE FIRST TIME PHYSICIST Richard Feynman visited Las Vegas in the late 1940s, he went from game to game, working out how much he could expect to win (or, more likely, lose). He decided that although craps was a bad deal, it wasn't that bad: for every dollar he bet, he could expect to lose 1.4 cents on average. Of course, that was the expected loss over a large number of attempts. When Feynman tried the game, he was particularly unlucky, losing five dollars right away. It was enough to put him off casino gambling for good. Nevertheless, Feynman made several trips to Vegas over the years. He was particularly fond of chatting with the showgirls. During one trip, he had lunch with a performer named Marilyn. As they were eating, she pointed out a man strolling across the grass. He was a well-known professional gambler named Nick Dandolo, or "Nick the Greek." Feynman found the notion puzzling. Having calculated the odds for each casino game, he couldn't work out how Nick the Greek could consistently make money. Marilyn called Nick the Greek over to their table, and Feynman asked how it was possible to make a living gambling. "I only bet when the odds are in my favor," Nick replied. Feynman didn't understand what he meant. How could the odds ever be in someone's favor? Nick the Greek told Feynman the real secret behind his success. "I don't bet on the table," he said. "Instead, I bet with people around the table who have prejudices—superstitious ideas about lucky numbers." Nick knew the casino had the edge, so he made wagers with naive fellow gamblers instead. Unlike the Parisian gamblers who used the martingale strategy, he understood the games, and understood the people playing them. He had looked beyond the obvious strategies—which would lose him money—and found a way to tip the odds in his favor. Working out the numbers hadn't been the tricky part; the real skill was turning that knowledge into an effective strategy.

Dear Chairman: Boardroom Battles and the Rise of Shareholder Activism by Jeff Gramm

I highlighted the living hell out of this book. 123 highlights in just 200 pages of text. That might be a new record for me. It is so incredibly good, and so entertaining. The author is a very good writer and has an interesting, almost conversational style, which you can see in the passage below. The Ross Perot chapter was my favorite, but they were all great. Buy this book, right now!

In almost nine years as a fund manager, I've become increasingly cynical about how public companies are run. In the wasteland of small capitalization companies where I often look for investment ideas, corporate governance can be downright abysmal. I've had large investments in several public companies that willfully screwed their shareholders, and I've watched many more such situations from the sidelines. This has given me a greater appreciation for investors like Carl Icahn with a shorter-term, mercenary approach. Icahn draws a lot of ire for his ruthless attacks on companies. But every time I begin to resent him for seeking short-term returns by putting a company in play, I can't help but think, Jesus, he's been investing in public companies for fifty years. I'm a cynical bastard after a mere dozen. The longer I've been a professional investor,

the more I relate to Carl Icahn's complete lack of faith in public company management teams. Why give them time to screw things up when you can engineer a quick profit for yourself and other shareholders by selling the company?

At Play in the Fields of the Lord by Peter Matthiessen

Plot, writing, characters, big ideas. This book has it all. The last novel I worked through this quickly was The Razor's Edge, and I will read this book again in a year or two. Unlike many novels, and almost every non-fiction book, this book gets *better* as it goes along. If you have a vacation coming up this summer and like a good novel, this is perfect. An instant classic.

"For men like himself the ends of the earth had this great allure: that one was never asked about a past or future but could live as freely as an animal, close to the gut, and day by day by day...That's the only way to do it—go. When there's a jungle waiting, you go through it and come out clean on the far side. Because if you struggle to back out, you get all snarled, and afterwards the jungle is still there, still waiting."

Norwegian Wood: Chopping, Stacking, and Drying Wood the Scandinavian Way by Lars Mytting

A very simple filter for this recommendation: do you like chopping wood or building fires? If the answer is yes, then you will love this book. I read it on a single plane ride and learned so much about trees, wood as an energy source, tools for working with trees, methods for make great firewood, and much more. This book sold more than 200,000 copies in Norway alone.

You'll learn things like this:

When the log is put on the fire the first thing that happens is that the moisture inside it begins to evaporate. This takes energy from the rest of the fire, and is the reason unseasoned wood actually steals your heat. Once the outer parts of the log are dry enough the temperature will rise, the wood will release gas, and flames will appear at the second stage of the process. It may look as though the wood itself has caught fire, but in fact something rather surprising is happening: At this stage the flames we see are not from the wood itself, but from burning gases that jet from within it once a certain temperature has been reached. To put it simply, the wood is cooked until it is dry. Gases start to percolate out and ignite. If they are to burn vigorously they need a good supply of air. Once the gases in the wood are exhausted the third and final stage begins. The wood has by this time become charcoal and glows at a high temperature. Much less air is needed by now. In practice all three processes go on at the same time, simultaneously fostering each other.

Most people start a small fire, and then put firewood on top of it when it has started to burn well. But the gases will always rise, and if there are no flames at the top to ignite them, they will pollute instead of giving heat. There is a solution, namely to make the hottest spot on top of the burning wood....The method goes like this: A layer of logs is

placed flat in the bottom of a cold stove. Kindling is placed on top of these—the valley-and-bridge method is perfect. Soon the fire begins to eat its way down. Gas is given off as the logs heat up, but there will always be flames higher up to ignite them.

A phenomenon often observed is that a fire with a single log usually goes out easily. Two or more logs should always be added each time, as this will create more air turbulence and keep the process moving along.

When Breath Becomes Air by Paul Kalanithi

This was the best book of the month. It is the memoir of a successful neurosurgeon who is diagnosed with lung cancer. It is a gutting read, but it is also beautiful and life affirming. What a man Dr. Kalanithi was, and what a talented writer. As a parent who now understands the abiding joy of children, the last paragraph of this book was one of the most moving things I've ever read. You are going to love this.

Capital Returns: Investing Through the Capital Cycle: A Money Manager's Reports 2002-15 by Edward Chancellor

You rarely find a good investing *book* these days. Most of the best investing writing comes in the form of quarterly letters, research papers, or interviews. Every investor should read this book. It focuses on my favorite topic: capital allocation. While value investing can capture a lot of the opportunity that is created by the capital cycle, it does not capture it all. This book dives deeper. The introduction by Edward Chancellor (who wrote a top five investing book, *Devil Take the Hindmost*) is phenomenal and worth the price of the book on its own. Best investing book so far in 2016.

The capital cycle turns down as excess capacity becomes apparent and past demand forecasts are shown to have been overly optimistic. As profits collapse, management teams are changed, capital expenditure is slashed, and the industry starts to consolidate. The reduction in investment and contraction in industry supply paves the way for a recovery of profits. For an investor who understands the capital cycle this is the moment when a beaten down stock becomes potentially interesting.

Diffusion of Innovations, 5th Edition by Everett M. Rogers

Why do some ideas diffuse quickly through the world while others don't? Look for a great story about Paul Revere and William Dawes. Both had the same mission, but only Revere succeeded because of a vastly superior network of connections and points of leverage. Also, this is amazing:

In 1601, an English sea captain, James Lancaster, conducted an experiment to evaluate the effectiveness of lemon juice in preventing scurvy. Captain Lancaster commanded four ships that sailed from England on a voyage to India. He served three teaspoonfuls of lemon juice every day to the sailors in one of his four ships. These men stayed healthy. The other three ships constituted Lancaster's "control group," as their sailors were not given any lemon juice. On the other three ships, by the halfway point in

the journey, 110 out of 278 sailors had died from scurvy. So many of these sailors got scurvy that Lancaster had to transfer men from his “treatment” ship in order to staff the three other ships for the remainder of the voyage. These results were so clear that one would have expected the British Navy to promptly adopt citrus juice for scurvy prevention on all ships. Not until 1747, about 150 years later, did James Lind, a British Navy physician who knew of Lancaster’s results, carry out another experiment on the HMS Salisbury. To each scurvy patient on this ship, Lind prescribed either two oranges and one lemon or one of five other supplements: a half pint of sea water, six spoonfuls of vinegar, a quart of cider, nutmeg, or seventy-five drops of vitriol elixir. The scurvy patients who got the citrus fruits were cured in a few days and were able to help Dr. Lind care for the other patients. Unfortunately, the supply of oranges and lemons was exhausted in six days. Certainly, with this further solid evidence of the ability of citrus fruits to combat scurvy, one would expect the British Navy to have adopted this innovation for all ship’s crews on long sea voyages. In fact, it did so, but not until 1795, forty-eight years later, when scurvy was immediately wiped out. After only seventy more years, in 1865, the British Board of Trade adopted a similar policy and eradicated scurvy in the merchant marine. Why were the authorities so slow to adopt the idea of citrus for scurvy prevention? Other, competing remedies for scurvy were also being proposed, and each such cure had its champions. For example, Captain Cook’s reports from his voyages in the Pacific did not provide support for curing scurvy with citrus fruits. Further, Dr. Lind was not a prominent figure in the field of naval medicine, and so his experimental findings did not get much attention. While scurvy prevention was generally resisted for years by the British Navy, other innovations, such as new ships and new guns, were readily accepted. So the Admiralty did not resist all innovations.

Negotiating the Impossible: How to Break Deadlocks and Resolve Ugly Conflicts (without Money or Muscle) by Deepak Malhotra

When you read enough books on influence, you realize that human beings are programmable. Like it or not, there are fairly easy ways to get other people to do things you want. This skill is dangerous in the wrong hands, but given that we all go through life trying to convince others to do things, books like this one are valuable to your average, decent human.

The book lays out three key aspects of negotiation: framing, process, and empathy. These tactics are not about deception—they are not evil. Rather, they are effective ways of moving the deal forward. One of my favorite lines was that you should be able to “write the victory speech” for the other side when thinking about how you will propose a deal. Another great concept is the idea that you should never get hung up on just one issue. It’s much easier to reach a deal if there are multiple issues considered at the same time, because multiple issues allow for more give-and-take between the two parties.

The Dao of Capital: Austrian Investing in a Distorted World by Mark Spitznagel

I just read this book again, my third time. It is dense, but its central idea will likely cause you to question your investment strategy in SOME way, which is always valuable. Spitznagel suggests a very contrarian approach which would require insane discipline to make work. In many ways, I think this book is more valuable for individual investors than for professionals. As a professional all too familiar with the dynamics of career risk and quarterly performance reporting, I know firsthand that following a strategy like the one suggested in Dao of Capital would be career suicide unless you get really lucky timing when you start. Spitznagel discusses a market-level strategy (basically using Tobin's Q to get into and out of the market) and a stock level strategy (basically, book/price and return on invested capital in the general spirit of Joel Greenblatt). But what's most valuable isn't these basic strategies, but rather the logical backing for them. If nothing else, you'll learn a lot about conifers.

Deep Survival: Who Lives, Who Dies, and Why by Laurence Gonzales

Incredible book. Did you know that the word "emotion" derives from the Latin for "to move away?" There are many great references throughout this book to the concepts of emotion and loss aversion that will be very useful for investors trying to master their own psychology.

Gradually, I developed the idea that to survive, you must first be annealed in the fires of peril.

How to Fail at Almost Everything and Still Win Big: Kind of the Story of My Life by Scott Adams

I've been fascinated by Scott Adams's blog posts on Donald Trump and Master Persuaders ([How to Spot a Wizard](#)), so I read his book. It is colorful and enjoyable. I love his exploration of hypnotism and his destruction of the "goal-oriented" mindset. He is a systems-over-goals guy after my own heart.

To put it bluntly, goals are for losers. That's literally true most of the time. For example, if your goal is to lose ten pounds, you will spend every moment until you reach the goal—if you reach it at all—feeling as if you were short of your goal. In other words, goal-oriented people exist in a state of nearly continuous failure that they hope will be temporary. That feeling wears on you. In time, it becomes heavy and uncomfortable. It might even drive you out of the game... If you achieve your goal, you celebrate and feel terrific, but only until you realize you just lost the thing that gave you purpose and direction. Your options are to feel empty and useless, perhaps enjoying the spoils of your success until they bore you, or set new goals and reenter the cycle of permanent presuccess failure.

Consolations: The Solace, Nourishment and Underlying Meaning of Everyday Words by David Whyte

You can read this one in an hour or two. If the following passage appeals to you, you'll really enjoy this well-written book.

Being alone is a difficult discipline: a beautiful and difficult sense of being solitary is always the ground from which we step into a contemplative intimacy with the unknown, but the first portal of aloneness is often experienced as a gateway to alienation, grief and abandonment. To find ourselves alone or to be left alone is an ever present, fearful and abiding human potentiality of which we are often unconsciously, and deeply afraid. To be alone for any length of time is to shed an outer skin. The body is inhabited in a different way when we are alone than when we are with others. Alone, we live in our bodies as a question rather than a statement.

This reminded me of a great passage from one of my all-time favorite books, *The Tiger*:

“The most terrifying and important test for a human being is to be in absolute isolation,” he explained. “A human being is a very social creature, and ninety percent of what he does is done only because other people are watching. Alone, with no witnesses, he starts to learn about himself—who is he really? Sometimes, this brings staggering discoveries. Because nobody’s watching, you can easily become an animal: it is not necessary to shave, or to wash, or to keep your winter quarters clean—you can live in shit and no one will see. You can shoot tigers, or choose not to shoot. You can run in fear and nobody will know. You have to have something—some force, which allows and helps you to survive without witnesses... “Once you have passed the solitude test,” continued Solkin, “you have absolute confidence in yourself, and there is nothing that can break you afterward.”

The One Sentence Persuasion Course - 27 Words to Make the World Do Your Bidding by Blair Warren

I am a sucker for books on influence. You can read this in 30 minutes it has several great reminders. As always, the key to influence is a complete suppression of one’s own ego and needs in favor of others. This idea is useful in practice, but I find it ends up making *you* happier, too.

The Misbehavior of Markets: A Fractal View of Financial Turbulence by Benoit Mandelbrot, Richard L. Hudson

I’ve read this book three times now, and need to recommend it again. It is a top five investing book of all time. It will make you question all or large parts of your investing philosophy. It is an absolute classic. I wrote a bit about power laws this month, inspired by the book.

Quality Investing: Owning the best companies for the long term by Lawrence A. Cunningham, Torkell T. Eide, Patrick Hargreaves

“Quality” means too many things. There are so many definitions of quality that when I hear the word now, it means nothing to me. This book was a nice antidote. There isn’t anything revolutionary in here, but for fundamental stock analysts out there, this book offers a lot to chew on.

In our view, three characteristics indicate quality. These are strong, predictable cash generation; sustainably high returns on capital; and attractive growth opportunities. Each of these financial traits is attractive in its own right, but combined, they are particularly powerful, enabling a virtuous circle of cash generation, which can be reinvested at high rates of return, begetting more cash, which can be reinvested again.

Fooling Some of the People All of the Time, A Long Short (and Now Complete) Story, Updated with New Epilogue by David Einhorn

I avoided this book for a long time because Einhorn's process is so different from my own. But I've learned in the past two years or so that investigating market opposites is very useful. In pursuit of fresh perspectives, I've been avoiding quant literature and instead reading a ton of fundamental analysis. This book has been my favorite read in this vein. It shows the value of doing your own work, sheds light on how complex an individual company (and long or short position) can be, and is filled with great little side stories.

Here is a good, simple list of questions. I like these questions because they can be modeled to some extent;)

First, what are the true economics of the business? Second, how do the economics compare to the reported earnings? Third, how are the interests of the decision makers aligned with the investors?

Then again, this is a bit of a knock on the quant approach. I've noticed the phrase "statistical cheapness" used as a pejorative a lot recently!

Our investment program employs the skills I learned at SC to analyze the economic value of companies and the alignment of interests between decision makers and investors. Our research process reverses the analytical framework that most traditional value investors use. Many value investors determine whether a security is cheap. If it is, they seek to determine whether it is cheap for a good reason. A typical process to identify opportunities is through computer screens that identify statistical cheapness, such as low multiples of earnings, sales, or book value combined with rising earnings estimates. Then, they evaluate the identified companies as possible investments. Greenlight takes the opposite approach. We start by asking why a security is likely to be misvalued in the market. Once we have a theory, we analyze the security to determine if it is, in fact, cheap or overvalued. In order to invest, we need to understand why the opportunity exists and believe we have a sizable analytical edge over the person on the other side of the trade.

Positioning: The Battle for Your Mind: The Battle for Your Mind by Al Ries, Jack Trout

I found this book through a work colleague used to work in advertising. He described it as a sort of bible early in his career. It is a really great book about communication. The book itself is "antifragile" in a way, because it's all about communicating well amid more

and more noise. As the world gets even noisier, the lessons in this book get more and more valuable.

As with most books on this topic, the authors believe that good positioning is all other person/client/prospect. Don't talk about how great you are, or how great your widget is. Instead, start with someone else's mindset and work backwards.

The basic approach of positioning is not to create something new and different, but to manipulate what's already up there in the mind, to retie the connections that already exist.

The easy way to get into a person's mind is to be first. You can demonstrate the validity of this principle by asking yourself a few simple questions. What's the name of the first person to fly solo across the North Atlantic? Charles Lindbergh, right? Now, what's the name of the second person to fly solo across the North Atlantic? Not so easy to answer, is it? What's the name of the first person to walk on the moon? Neil Armstrong, of course. What's the name of the second?

Natural Born Heroes: How a Daring Band of Misfits Mastered the Lost Secrets of Strength and Endurance by Christopher Mcdougall

If you liked Born to Run (another book by the same author), you'll enjoy this story.

Mastery: The Keys to Success and Long-Term Fulfillment by George Leonard

I read recently that we are living in "the age of process," where the most successful people are systematic thinkers focused on process instead of outcomes. This book, which you can read in a sitting, is a great overview of the process-driven mindset. The author is an Aikido expert who extols the virtues of practice and continual improvement. I find these kinds of books very refreshing.

*Do not think that
This is all there is.
More and more
Wonderful teachings exist—
The sword is unfathomable.
--Japanese Sword Master Yamaoka Tesshu*

The Razor's Edge (Vintage International) by W. Somerset Maugham

The best fiction I read this year because I've never before so identified with a main character (Larry).

"he said that the world isn't a creation, for out of nothing nothing comes; but a manifestation of the eternal nature; well, that was all right, but then he added that evil is as direct a manifestation of the divine as good. They were strange words to hear in that sordid, noisy café, to the accompaniment of dance tunes on the mechanical piano."

Walking (Annotated Edition) by Henry David Thoreau

A short, relaxing essay that shows how walking leads to a better, fresher mindset. I wrote about it here ([“The Future Is In The Quaking Swamps”](#)).

*The West of which I speak is but another name for the Wild; and what I have been preparing to say is, that **in Wildness is the preservation of the World**. Every tree sends its fibres forth in search of the Wild. The cities import it at any price. Men plow and sail for it. From the forest and wilderness come the tonics and barks which brace mankind. Our ancestors were savages. The story of Romulus and Remus being suckled by a wolf is not a meaningless fable. The founders of every State which has risen to eminence have drawn their nourishment and vigor from a similar wild source. It was because the children of the Empire were not suckled by the wolf that they were conquered and displaced by the children of the Northern forests who were.*

The Writing Life by Annie Dillard

My favorite book about writing. I’ve read this next passage a good hundred times.

To find a honey tree, first catch a bee. Catch a bee when its legs are heavy with pollen; then it is ready for home. It is simple enough to catch a bee on a flower: hold a cup or glass above the bee, and when it flies up, cap the cup with a piece of cardboard. Carry the bee to a nearby open spot—best an elevated one—release it, and watch where it goes. Keep your eyes on it as long as you can see it, and hie you to that last known place. Wait there until you see another bee; catch it, release it, and watch. Bee after bee will lead toward the honey tree, until you see the final bee enter the tree. Thoreau describes this process in his journals. So a book leads its writer. You may wonder how you start, how you catch the first one. What do you use for bait? You have no choice. One bad winter in the Arctic, and not too long ago, an Algonquin woman and her baby were left alone after everyone else in their winter camp had starved. Ernest Thompson Seton tells it. The woman walked from the camp where everyone had died, and found at a lake a cache. The cache contained one small fishhook. It was simple to rig a line, but she had no bait, and no hope of bait. The baby cried. She took a knife and cut a strip from her own thigh. She fished with the worm of her own flesh and caught a jackfish; she fed the child and herself. Of course she saved the fish gut for bait. She lived alone at the lake, on fish, until spring, when she walked out again and found people. Seton’s informant had seen the scar on her thigh.

Do not hurry; do not rest. —GOETHE

Rise of the Robots: Technology and the Threat of a Jobless Future by Martin Ford

Explains what skills will be most useful in the age of automation. More here. A fun example:

In the chain's 262 restaurants, robots help make the sushi while conveyor belts replace waiters. To ensure freshness, the system keeps track of how long individual sushi plates have been circulating and automatically removes those that reach their expiration time. Customers order using touch panel screens, and when they are finished dining they place the empty dishes in a slot near their table. The system automatically tabulates the bill and then cleans the plates and whisks them back to the kitchen. Rather than employing store managers at each location, Kura uses centralized facilities where managers are able to remotely monitor nearly every aspect of restaurant operations. Kura's automation-based business model allows it to price sushi plates at just 100 yen (about \$1), significantly undercutting its competitors.

Self Reliance (Illustrated) by Ralph Waldo Emerson

My favorite essay from one of my biggest idols.

There is a time in every man's education when he arrives at the conviction that envy is ignorance; that imitation is suicide; that he must take himself for better for worse as his portion; that though the wide universe is full of good, no kernel of nourishing corn can come to him but through his toil bestowed on that plot of ground which is given to him to till.

Impro: Improvisation and the Theatre by Keith Johnstone

The most surprising book of the year on the power of improvisation. More here.

There are people who prefer to say 'Yes', and there are people who prefer to say 'No'. Those who say 'Yes' are rewarded by the adventures they have, and those who say 'No' are rewarded by the safety they attain. There are far more 'No' sayers around than 'Yes' sayers, but you can train one type to behave like the other.

The Wisdom of Life by Arthur Schopenhauer

The best self-help book ever.

Further, as no land is so well off as that which requires few imports, or none at all, so the happiest man is one who has enough in his own inner wealth, and requires little or nothing from outside for his maintenance, for imports are expensive things, reveal dependence, entail danger, occasion trouble, and when all is said and done, are a poor substitute for home produce.

The Dog Stars by Peter Heller

A beautifully written post-apocalyptic novel.

Nothing decided, nothing finished. The Dipper wheels back into place. Just one turn. One turn of the wheel and we are different, never the same. Not ever. Not even those stars. Even they, they decay, collapse, coalesce, break apart. Close my eyes. It's what's

inside. What's inside moving, swimming in the pain like a blind fish forever swimming. Is what lives what remains. Renews, renews the love and the pain. The love is the creek bed and the pain fills it. Fills it every day with tears.

The Essays of Kevin Simler, Slate Star Codex, and Paul Graham

I group these final three writers as one, because each author writes amazing, thought-provoking essays. Here are three of my favorites (one from each).

From Simler: Honesty and the Human Body

From Graham: What You Can't Say

From Slate Star Codex: Meditations on Moloch

Volatility and the Allegory of the Prisoner's Dilemma by Christopher Cole

This is a research paper published by Artemis Capital about the merits of a “long volatility” strategy in life and in the markets. It follows in the spirit of Nassim Taleb’s *Antifragile* which I have recommended before. While I am not an expert in volatility/tail risk strategies, I found this a very entertaining and enlightening read. As Cole says, “Do not fool yourself—peace is not the absence of conflict—peace can exist on the very edge of volatility.”

How To Be an Expert in a Changing World by Paul Graham

This extends the anti-fragile idea into thinking and expertise. Graham asks:

Can you protect yourself against obsolete beliefs? To some extent, yes. I spent almost a decade investing in early stage startups, and curiously enough protecting yourself against obsolete beliefs is exactly what you have to do to succeed as a startup investor. Most really good startup ideas look like bad ideas at first, and many of those look bad specifically because some change in the world just switched them from bad to good.

So I don't even try to predict it. When I get asked in interviews to predict the future, I always have to struggle to come up with something plausible-sounding on the fly, like a student who hasn't prepared for an exam. [1] But it's not out of laziness that I haven't prepared. It seems to me that beliefs about the future are so rarely correct that they usually aren't worth the extra rigidity they impose, and that the best strategy is simply to be aggressively open-minded. Instead of trying to point yourself in the right direction, admit you have no idea what the right direction is, and try instead to be super sensitive to the winds of change. The winds of change originate in the unconscious minds of domain experts. If you're sufficiently expert in a field, any weird idea or apparently irrelevant question that occurs to you is ipso facto worth exploring.

The Essays of Arthur Schopenhauer; The Art of Literature by Arthur

Schopenhauer

A great take on what is worth reading and what is worth writing. What I've found is that 95% of the value I get from reading comes from about 5% of the books. This essay explains why.

One of Schopenhauer's main points is that way too many authors simply summarize/synthesize what has already been written on a subject. Given the amount that I read I see this all the time. Even some books that seem very original are not at all! For example, I thought Thiel's *Zero to One* was incredibly original until I read de Bono, who in turn I thought was incredibly original until I read Koestler (I've yet to find Koestler's antecedent or superior). For the record I still like Thiel and de Bono, just not as much as I like Koestler.

Read this great passage below. This is the reason why I've resolved to write my next book with no direct citations. I am not sure I will be able to follow through on that goal, but I will definitely try hard.

But even though the number of those who really think seriously before they begin to write is small, extremely few of them think about the subject itself: the remainder think only about the books that have been written on the subject, and what has been said by others. In order to think at all, such writers need the more direct and powerful stimulus of having other people's thoughts before them. These become their immediate theme; and the result is that they are always under their influence, and so never, in any real sense of the word, are original. But the former are roused to thought by the subject itself, to which their thinking is thus immediately directed. This is the only class that produces writers of abiding fame.

Meditations on Moloch by Slate Star Codex

This is a long, mind-bending essay on the state of the world. Here is a litmus test. If this passage piques your interest, then you'll really enjoy the whole thing:

Any human with above room temperature IQ can design a utopia. The reason our current system isn't a utopia is that it wasn't designed by humans. Just as you can look at an arid terrain and determine what shape a river will one day take by assuming water will obey gravity, so you can look at a civilization and determine what shape its institutions will one day take by assuming people will obey incentives.

But that means that just as the shapes of rivers are not designed for beauty or navigation, but rather an artifact of randomly determined terrain, so institutions will not be designed for prosperity or justice, but rather an artifact of randomly determined initial conditions.

Just as people can level terrain and build canals, so people can alter the incentive landscape in order to build better institutions. But they can only do so when they are incentivized to do so, which is not always. As a result, some pretty wild tributaries and rapids form in some very strange places.

Las Vegas doesn't exist because of some decision to hedonically optimize civilization, it exists because of a quirk in dopaminergic reward circuits, plus the microstructure of an uneven regulatory environment, plus Schelling points. A rational central planner with a god's-eye-view, contemplating these facts, might have thought "Hm, dopaminergic reward circuits have a quirk where certain tasks with slightly negative risk-benefit ratios get an emotional valence associated with slightly positive risk-benefit ratios, let's see if we can educate people to beware of that." People within the system, following the incentives created by these facts, think: "Let's build a forty-story-high indoor replica of ancient Rome full of albino tigers in the middle of the desert, and so become slightly richer than people who didn't!"

Just as the course of a river is latent in a terrain even before the first rain falls on it – so the existence of Caesar's Palace was latent in neurobiology, economics, and regulatory regimes even before it existed. The entrepreneur who built it was just filling in the ghostly lines with real concrete.

The Origin of Consciousness in the Breakdown of the Bicameral Mind by Julian Jaynes

If the previous suggestion was a mind bender, this is a mind f**k. The theory of this book is that up until (and including) the time of *The Illiad*, human beings were not conscious like we are today. They did not have volition or free will, and didn't even have a word for "body." Instead, they were told what to do by voices in their heads (gods, really). The area of the brain that generated these voices was probably the area in the right hemisphere that corresponds to Wernicke's area (language center) in the left.

So why should you read this craziness? Because despite the far-fetched theory, it is one of the most lucid and thought provoking books I've read in ages. For example, an early discussion of the importance of metaphor is worth it alone. I wrote about the metaphor section here.

Ham on Rye by Charles Bukowski

If you want a raw, original writer who writes purely in the way Schopenhauer recommends, look no further than Bukowski. I've recommended his books in the past, and like his book *Women*, this one requires a disclaimer: its movie rating would be NC-17 or XXX. This is a coming of age story that rings more true than any other I've ever

read, even though I don't really identify with the author. His writing is so honest.

[The Dog Stars by Peter Heller](#)

The second best post-apocalypse book I've ever read (after McCarthy's *The Road*). This needs to be a movie. Thanks to Dan M for recommending this book, I couldn't put it down.

[Hackers & Painters: Big Ideas from the Computer Age by Paul Graham](#)

Paul Graham—one of our best technology philosopher-kings—is also programmer and essayist. He may be the best business essayist alive. I wrote a little piece based on one of his analogies ([why you should run up stairs](#)). I could write 50 more similar pieces based on Graham's essays. Hackers and Painters is a book collection of some of his best, but they are all available for free here. If you have any aspirations to be a writer, make sure to read "[the age of the essay](#)," which is on the website but not in the book.

[Sex, Murder, and the Meaning of Life: A Psychologist Investigates How Evolution, Cognition, and Complexity are Revolutionizing our View of Human Nature by Douglas T. Kenrick](#)

There is an illusion that most people suffer from. We think that there is some little commander in our brain that is the "I" that we refer to in sentences, as in: "I" ate a bagel because the commander decided to. This sense of self/ego is wrong and can be dangerous. Instead, the way we should think of ourselves (and others) is as a collection of different entities/selves with different goals.

Kenrick classifies these separate entities into groups:

I have dubbed those subselves the team player (concerned with the goal of making friends), the go-getter (concerned with getting ahead), the night watchman (concerned with protecting us from the bad guys), the compulsive (concerned with protecting us from disease), the swinging single (concerned with finding mates), the good spouse (concerned with the very different problem of keeping those mates), and the parent (concerned with taking care of our kin, especially any children we might have). These different subselves come on line at different times of our lives.

Understanding the motivations of each of these subselves will help you understand your own behavior better, and that is what the book is all about. Like all evolutionary psychology, this knowledge is extremely useful for investors.

[The Wisdom of Life by Arthur Schopenhauer](#)

This is self-helpy, but it is the best in class. Schopenhauer is sometimes called the “western Buddha,” despite being a rather curmudgeonly looking and sounding German philosopher from the 19th century.

This is a personal bible of sorts for me. I read it in college years ago, and rediscovered it via Kevin Simler. Read it and read it often.

The main message is that external sources of happiness: riches, fame, prestige, even relationships with loved ones, are weaker and less sustainable than happiness that comes from within. Riches, for example, “are like sea-water; the more you drink the thirstier you become.”

Since everything which exists or happens for a man exists only in his consciousness and happens for it alone, the most essential thing for a man is the constitution of this consciousness, which is in most cases far more important than the circumstances which go to form its contents.

For what a man is in himself, what accompanies him when he is alone, what no one can give or take away, is obviously more essential to him than everything he has in the way of possessions, or even what he may be in the eyes of the world.

Schopenhauer may have been a gluten-free paleo nut today:

As Epictetus says, Men are not influenced by things, but by their thoughts about things. And, in general, nine-tenths of our happiness depends upon health alone. With health, everything is a source of pleasure; without it, nothing else, whatever it may be, is enjoyable; even the other personal blessings,—a great mind, a happy temperament—are degraded and dwarfed for want of it. So it is really with good reason that, when two people meet, the first thing they do is to inquire after each other’s health, and to express the hope that it is good; for good health is by far the most important element in human happiness.

[Impro: Improvisation and the Theatre by Keith Johnstone](#)

I already wrote a [longer post](#) about this book so I will be brief here. This was the most surprising book I’ve read this year. I didn’t expect to love it, but Simler was right about this book: I found more interesting-ness per page than anything else I’ve read in a long time. What it taught me was how to cultivate a more open mindset—a key ingredient for good improv. This book had a similar effect on me as some of my all-time favorites from Emerson and Thoreau, and introduced me to a new world of creative expression. Great, great stuff.

[Thinking in Systems by Donella Meadows](#)

I've read this book twice in the past 2 weeks. I might start it again. If you want a new way to think about yourself, your business, the market, or any other system of parts and interactions, this is the book for you.

The elements, the parts of systems we are most likely to notice, are often (not always) least important in defining the unique characteristics of the system—unless changing an element also results in changing relationships or purpose...look beyond the players to the rules of the game.

The human mind seems to focus more easily on stocks than on flows. On top of that, when we do focus on flows, we tend to focus on inflows more easily than on outflows.

Think about stocks: we focus so much on operating cash flows, but often neglect financing cash flows—which are often as, or more, useful for stock selection. In business we often focus on sales, when expenses can be a more effective point of leverage: “we sometimes miss seeing that we can fill a bathtub not only by increasing the inflow rate, but also by decreasing the outflow rate.”

I have 118 highlights and 19 long notes in this book. Buy it!

[Ask the Dust by John Fante](#)

This short novel is the best fiction I've read in years. I've heard it compared to *A Catcher in the Rye*. The main character is compelling: so flawed yet driven to succeed as a writer. This is the only book I can think of that I read again immediately. **Qualifiers:** if you like fiction, and the following passage makes you smirk or laugh (its a letter written by the books protagonist to another character, who is very ill and trying to finish his life by writing the book he always wanted to), then this book is for you. If this repulses you, realize that the character alternates between devil and saint, but I thought the devil was more fun.

*Dear Sammy: That little wh**e was here tonight; you know, Sammy, the little Greaser dame with a wonderful figure and a mind for a moron. She presented me with certain alleged writings purportedly written by yourself. Furthermore she stated the man with the scythe is about to mow you under. Under ordinary circumstances I would call this a tragic situation. But having read the bile your manuscripts contain, let me speak for the world at large and say at once that your departure is everybody's good fortune. You can't write, Sammy. I suggest you concentrate on the business of putting your idiotic soul in order these last days before you leave a world that sighs with relief at your departure. I wish I could honestly say that I hate to see you go. I wish too that, like myself, you could endow posterity with something like a monument to your days upon this earth. But since this is so obviously impossible, let me urge you to be without bitterness in your final days. Destiny has indeed been unkind to you. Like the rest of the*

world, I suppose you too are glad that in a short time all will be finished, and the ink spot you have splattered will never be examined from a larger view. I speak for all sensible, civilized men when I urge you to burn this mass of literary manure and thereafter stay away from pen and ink. If you have a typewriter, the same holds true; because even the typing in this manuscript is a disgrace. If, however, you persist in your pitiful desire to write, by all means send me the pap you compose. I found at least you are amusing. Not deliberately, of course.

Women by Charles Bukowski

If *Ask the Dust* doesn't divide readers, this one will. I've had Bukowski on my list for a long time based on the frequent push of Maria Popova. This book is a doozy. It's a fictionalized autobiography of Bukowski, an alcoholic womanizer and fantastic writer. The book's narrative is simple: the main character (Henry Chaninski), goes through a sequence of women—some he loves, others he doesn't. There are two reasons to read this: the writing, and the soul-baring honesty. Rarely have I read an author lay it all out—fears, weaknesses, addictions—without any reservation or literary flourish like Bukowski does here. This book just stuck with me. **Qualifiers:** If you don't mind bad language and lots of elicited content, and you like really good, sparse prose, check this out. Here are a few passages that you can use as a litmus test. Out of respect for the now large size of this book club, I left out the really foul stuff (after some debate). If you want a passage that is a little more representative, feel free to email me.

The worst thing for a writer is to know another writer, and worse than that, to know a number of other writers. Like flies on the same turd. [Maybe the same is true for investors ;)] ... The first fight was a good one, lots of blood and courage. There was something to be learned about writing from watching boxing matches or going to the racetrack. The message wasn't clear but it helped me. That was the important part: the message wasn't clear. It was wordless, like a house burning, or an earthquake or a flood, or a woman getting out of a car, showing her legs. I didn't know what other writers needed; I didn't care, I couldn't read them anyway.

It was never any problem creating a split with Lydia. I was naturally a loner, content just to live with a woman, eat with her, sleep with her, walk down the street with her. I didn't want conversation, or to go anywhere except the racetrack or the boxing matches. I didn't understand t.v. I felt foolish paying money to go into a movie theatre and sit with other people to share their emotions. Parties sickened me. I hated the game-playing, the dirty play, the flirting, the amateur drunks, the bores. But parties, dancing, small talk energized Lydia. She considered herself a sexpot. But she was a little too obvious. So our arguments often grew out of my wish for no-people-at-all versus her wish for as-many-people-as-often-as-possible.

Breaking Smart by Venkatesh Rao

I had been craving a thought-provoking book for a while. Something in the vein of Taleb's *Antifragile* or Koestler's *The Act of Creation*. Then last week, along came *Breaking Smart*, which isn't actually a book. It is presented as *Season 1* in a series. **It is also free** (<http://breakingsmart.com/season-1/>). It is 21 short chapters, 30,000 words total. It is amazing.

The premise of *Season 1* is that software is just the third "soft" technology in human history (money and writing being the other two), but that software packs even more potential as a technology than did money or writing. As a non-software expert, this read to me like an ode to creativity. The big message is that the old, top down method of problem solving is on its way out, and a new era of creativity driven discovery is on its way in.

It is at times a bit challenged for those uninitiated in the world of software and programming (I am a novice myself). But the amount of interesting information and philosophy in *Breaking Smart* is staggering. I particularly liked these two chapters ("tinkering versus goals" and "the serendipity of streams").

As Rao says,

Goal-driven problem-solving follows naturally from the politician's syllogism: we must do something; this is something; we must do this. Such goals usually follow from gaps between reality and utopian visions. Solutions are driven by the deterministic form-follows-function principle, which emerged with authoritarian high-modernism in the early twentieth century. At its simplest, the process looks roughly like this:

1. *Problem selection: Choose a clear and important problem*
2. *Resourcing: Capture resources by promising to solve it*
3. *Solution: Solve the problem within promised constraints*

But there is a much better way

The networked world approach is based on a very different idea. It does not begin with utopian goals or resources captured through specific promises or threats. Instead it begins with open-ended, pragmatic tinkering that thrives on the unexpected. The process is not even recognizable as a problem-solving mechanism at first glance:

1. *Immersion in relevant streams of ideas, people and free capabilities*
2. *Experimentation to uncover new possibilities through trial and error*
3. *Leverage to double down on whatever works unexpectedly well*

He is describing the creative process perfectly.

Towards the end, Rao concludes with this:

An observation due to Arthur C. Clarke offers a way to understand this second trajectory: any sufficiently advanced technology is indistinguishable from magic. The networked world evolves so rapidly through innovation, it seems like a frontier of endless magic.

Clarke's observation has inspired a number of snowclones that shed further light on where we might be headed. The first, due to Bruce Sterling, is that any sufficiently advanced civilization is indistinguishable from its own garbage. The second, due to futurist Karl Schroeder,¹ is that any sufficiently advanced civilization is indistinguishable from nature.

To these we can add one from social media theorist Seb Paquet, which captures the moral we drew from our Tale of Two Computers: any sufficiently advanced kind of work is indistinguishable from play.

Putting these ideas together, we are messily slouching towards a non-pastoral utopia on an asymptotic trajectory where reality gradually blurs into magic, waste into wealth, technology into nature and work into play.

This is just such great stuff. Read the whole thing.

[The Etymologicon: A Circular Stroll Through the Hidden Connections of the English Language by Mark Forsyth](#)

If you like factoids, this is a book for you. For example, here is the origin of the phrase "let the cat out of the bag":

Incidentally, this has nothing to do with letting the cat out of the bag. That's to do with pigs, obviously. In medieval markets piglets were sold in sacks, so that the farmer could carry them home more easily. This was a pig in a poke. A standard con at the time involved switching a valuable piglet for a valueless cat or dog. You were then being sold a pup, or, if you discovered the trick, you would let the cat out of the bag. Unlikely as that all sounds, there are equivalent phrases in almost every European language.

Here is why we say "checkmate" in chess:

Once upon a time, Persia was ruled by shahs. Some shahs were happy shahs. Other shahs were crippled or dead. In Persian that meant that they were shah mat. Shah went into Arabic as, well, shah (ain't etymology fascinating?). That went into Vulgar Latin as scaccus. That went into vulgar French (all French is vulgar) as eschec with the plural esches, and that went into English as chess, because a game of chess is a game of

king, the king being the most important piece on the board. And what happened to shah mat? When the king is crippled, a chess player still says checkmate

The Dragons of Eden: Speculations on the Evolution of Human Intelligence by Carl Sagan

These days, the evolution that matters to us most is memetic, but I love to read about human evolution because it reminds me how slow our biology changes. Culture (like stock markets) evolve much faster, often leaving us ill-equipped to deal with threats and opportunities of a very different nature than those from the early days of Homo Sapiens.

An example of recent evolution of organ systems in humans is our toes. The big toe plays an important function in balance while walking; the other toes have much less obvious utility. They are clearly evolved from fingerlike appendages for grasping and swinging, like those of arboreal apes and monkeys. This evolution constitutes a respecialization—the adaptation of an organ system originally evolved for one function to another and quite different function—which required about ten million years to emerge. (The feet of the mountain gorilla have undergone a similar although quite independent evolution.)

This next passage reminds me of *Breaking Smart* and how hard it is to undo entrenched hierarchies and systems.

In general, human societies are not innovative. They are hierarchical and ritualistic. Suggestions for change are greeted with suspicion: they imply an unpleasant future variation in ritual and hierarchy: an exchange of one set of rituals for another, or perhaps for a less structured society with fewer rituals. And yet there are times when societies must change. “The dogmas of the quiet past are inadequate for the stormy present” was Abraham Lincoln’s description of this truth. Much of the difficulty in attempting to restructure American and other societies arises from this resistance by groups with vested interests in the status quo. Significant change might require those who are now high in the hierarchy to move downward many steps. This seems to them undesirable and is resisted.

I also love Sagan because he loves mythology. Sagan quotes Thoreau: “I do not know where to find in any literature, whether ancient or modern, any adequate account of that nature with which I am acquainted. Mythology comes nearest to it of any.” Which brings us to...

A Short History of Myth (The Myths) by Karen Armstrong

Sagan also quotes Salustius: “Myths are things which never happened but always are.” Mythology is one of my big passions because myths are the original self-help guides.

Joseph Campbell is my favorite author on the topic, but Armstrong's book is more approachable than Campbell's *A Hero with a Thousand Faces*.

Here is a great early passage. If this piques your interest, I think you will love the book:

*The Neanderthal graves tell us five important things about myth. First, it is nearly always rooted in the experience of death and the fear of extinction. Second, the animal bones indicate that the burial was accompanied by a sacrifice. Mythology is usually inseparable from ritual. Many myths make no sense outside a liturgical drama that brings them to life, and are incomprehensible in a profane setting. Third, the Neanderthal myth was in some way recalled beside a grave, at the limit of human life. The most powerful myths are about extremity; they force us to go beyond our experience. There are moments when we all, in one way or another, have to go to a place that we have never seen, and do what we have never done before. **Myth is about the unknown; it is about that for which initially we have no words.** Myth therefore looks into the heart of a great silence. Fourth, **myth is not a story told for its own sake. It shows us how we should behave.** In the Neanderthal graves, the corpse has sometimes been placed in a foetal position, as though for rebirth: the deceased had to take the next step himself. Correctly understood, mythology puts us in the correct spiritual or psychological posture for right action, in this world or the next. Finally, all mythology speaks of another plane that exists alongside our own world, and that in some sense supports it. Belief in this invisible but more powerful reality, sometimes called the world of the gods, is a basic theme of mythology.*

[Siddhartha by Hermann Hesse](#)

Dusting off an old classic, which seems like a book that should be read in August for some reason.

"This," he said, handling it, "is a stone, and within a certain length of time it will perhaps be soil and from the soil it will become plant, animal or man. Previously I should have said: This stone is just a stone; it has no value, it belongs to the world of Maya, but perhaps because within the cycle of change it can also become man and spirit, it is also of importance. That is what I should have thought. But now I think: This stone is stone; it is also animal, God and Buddha. I do not respect and love it because it was one thing and will become something else, but because it has already long been everything and always is everything. I love it just because it is a stone, because today and now it appears to me a stone.

[The Money Game \(& Supermoney if you like Money Game\) by "Adam Smith" \(aka George Goodman\)](#)

The Money Game nails investor psychology. Smith had a nose for market truths and a sharp tongue. You'll read this quickly and enjoy the hell out of it. A few choice

passages:

When there is a gap between perception and reality, it is only a matter of time until the gap is reconciled. But since reality is so stubborn and tolerates no gamesmanship, it is impossible for reality to rise to meet perception. So it follows that perception must decline to meet reality. Après moi le déluge.

how do you find smart people? Those who have just finished being smart are sometimes the dumb ones in the next part of the cycle.

“If you don’t know who you are, [the market] is an expensive place to find out.”

Any remarks about portfolio theory are an attempt to freeze some pattern into rationality, and Lord Keynes rightfully said that there is nothing so disastrous as a rational policy in an irrational world.

Managing Oneself by Peter F. Drucker

Normally I shudder at titles like *Managing Oneself*, but after I read and loved Drucker’s *Innovation and Entrepreneurship*, I thought I’d give this a shot. It’s just a short essay, but it is spot on. I really wish I’d read this at 22 years old--it would have saved me a lot of time and consternation. To summarize Drucker’s message, “a person can perform only from strength.” Push the envelope of your strengths rather than trying to shore up all your weaknesses. I’ve always felt that “well-rounded” is a bit of a pejorative, a euphuism for “isn’t great at anything.” Drucker agrees. Some questions he suggests you ask yourself to hone in on strengths and avoid weaknesses:

Am I a reader or a listener? and How do I learn? are the first questions to ask. But they are by no means the only ones. To manage yourself effectively, you also have to ask, Do I work well with people, or am I a loner? And if you do work well with people, you then must ask, In what relationship?... Another crucial question is, Do I produce results as a decision maker or as an adviser? A great many people perform best as advisers but cannot take the burden and pressure of making the decision.

There’s also this:

A plan can usually cover no more than 18 months and still be reasonably clear and specific. So the question in most cases should be, Where and how can I achieve results that will make a difference within the next year and a half? The answer must balance several things. First, the results should be hard to achieve—they should require “stretching,” to use the current buzzword. But also, they should be within reach. To aim at results that cannot be achieved—or that can be only under the most unlikely circumstances—is not being ambitious; it is being foolish. Second, the results should be

meaningful. They should make a difference. Finally, results should be visible and, if at all possible, measurable. From this will come a course of action: what to do, where and how to start, and what goals and deadlines to set.

And this on the five aspects of getting sh*t done (cheating, its' from another book of Drucker's, again with a vomit-inducing title: *The Effective Executive*)

Yet men of high effectiveness are conspicuous by their absence in executive jobs. High intelligence is common enough among executives. Imagination is far from rare. The level of knowledge tends to be high. But there seems to be little correlation between a man's effectiveness and his intelligence, his imagination or his knowledge. Brilliant men are often strikingly ineffectual; they fail to realize that the brilliant insight is not by itself achievement. They never have learned that insights become effectiveness only through hard systematic work... These are essentially five such practices—five such habits of the mind that have to be acquired to be an effective executive: 1. Effective executives know where their time goes. They work systematically at managing the little of their time that can be brought under their control. 2. Effective executives focus on outward contribution. They gear their efforts to results rather than to work. They start out with the question, "What results are expected of me?" rather than with the work to be done, let alone with its techniques and tools. 3. Effective executives build on strengths—their own strengths, the strengths of their superiors, colleagues, and subordinates; and on the strengths in the situation, that is, on what they can do. They do not build on weakness. They do not start out with the things they cannot do. 4. Effective executives concentrate on the few major areas where superior performance will produce outstanding results. They force themselves to set priorities and stay with their priority decisions. They know that they have no choice but to do first things first—and second things not at all. The alternative is to get nothing done.

[The Warrior Ethos by Steven Pressfield](#)

I love the way Pressfield writes; I recommend his entire catalogue. This little volume is fun, and it will definitely fire you up.

Plutarch asked, "Why do the Spartans punish with a fine the warrior who loses his helmet or spear but punish with death the warrior who loses his shield?" Because helmet and spear are carried for the protection of the individual alone, but the shield protects every man in the line. The group comes before the individual. This tenet is central to the Warrior Ethos.

Spartans liked to keep things short. Once, one of their generals captured a city. His dispatch home said, "City taken." The magistrates fined him for being verbose. "Taken," they said, would have sufficed.

The book is full of great vignettes like this:

During the North Africa campaign of 1940–42, Field Marshal Erwin Rommel led from so far forward that, three times, he either drove or flew himself smack among the British enemy and escaped only by blind luck and wild daring. Rommel's aggressiveness was matched by his sense of fair play and honor. A company of the Afrika Korps had surrounded a British artillery battery and was demanding its surrender. The German captain had captured an English officer named Desmond Young; with a gun in his hand, the captain commanded Young to order his men to give themselves up. Young refused. At this moment, Rommel chanced to come upon the scene in his staff car. The captain explained the situation, certain that Rommel, his commanding general, would back him up. Instead, the Desert Fox ordered the captain to put away his weapon and to cease demanding of his British prisoner that he order his own men to surrender. "Such an act," Rommel said, "runs counter to the honorable conventions of war." He ordered his captain to find some other solution, while he himself took the Englishman Young aside and shared with him cool water and tea from his own canteen. Desmond Young, a few years later, authored Rommel the Desert Fox, the first great biography of the Afrika Korps commander

And this, I love the idea that adversity equals freedom.

In 1912, the Antarctic explorer Ernest Shackleton was seeking volunteers for an expedition to the South Pole. He placed the following ad in the London Times: Men wanted for hazardous journey, small wages, bitter cold, long months of complete darkness, constant danger, safe return doubtful; honor and recognition in case of success. The next morning, 5000 men lined up to volunteer. The payoff for a life of adversity is freedom.

[The Right Stuff by Tom Wolfe](#)

One final fun read for summer. Tom Wolfe's writing is electric, and his subject matter fascinating. There are no modern equivalents to the test pilots and astronauts of the 1950's and 1960's. I wonder how people of the internet age would react to the constant death defying, or death inducing, stunts like those undertaken by these pilots. These crazy bastards put their lives on the line to test the limits of speed, space and technology. Imagine volunteering to be a test pilot knowing the following:

In 1952 sixty-two Air Force pilots died in the course of thirty-six weeks of training, an extraordinary rate of 1.7 per week. Those figures were for fighter-pilot trainees only; they did not include the test pilots, Bridgeman's own confreres, who were dying quite regularly enough....56 percent probability, to be exact, that at some point a career Navy pilot would have to eject from his aircraft and attempt to come down by parachute. In the era of jet fighters, ejection meant being exploded out of the cockpit by a

nitroglycerine charge, like a human cannonball. The ejection itself was so hazardous—men lost knees, arms, and their lives on the rim of the cockpit or had the skin torn off their faces when they hit the “wall” of air outside—that many pilots chose to wrestle their aircraft to the ground rather than try it ... and died that way instead.

One figure showed that there was a 23% probability of death if you were a part of the program. But the book is about the right stuff, and those with the right stuff didn't sweat figures like these because “The figures were averages, and averages applied to those with average stuff.” You have to love the attitude and egos of these men. Oh and they were always drunk:

Every young fighter jock knew the feeling of getting two or three hours' sleep and then waking up at 5:30 a.m. and having a few cups of coffee, a few cigarettes, and then carting his poor quivering liver out to the field for another day of flying. There were those who arrived not merely hungover but still drunk, slapping oxygen tank cones over their faces and trying to burn the alcohol out of their systems, and then going up, remarking later: “I don't advise it, you understand, but it can be done.” (Provided you have the right stuff, you miserable pudknocker.)

I loved Wolfe's description of astronauts as the cold war equivalents “single combat warriors”

Just as the Soviet success in putting Sputniks into orbit around the earth revived long-buried superstitions about the power of heavenly bodies and the fear of hostile control of the heavens, so did the creation of astronauts and a “manned space program” bring back to life one of the ancient superstitions of warfare. Single combat had been common throughout the world in the pre-Christian era and endured in some places through the Middle Ages. In single combat the mightiest soldier of one army would fight the mightiest soldier of the other army as a substitute for a pitched battle between the entire forces.

If you like American History and/or stories of pushing the limits of human capability and endurance, this book is for you.

Let Your Life Speak: Listening for the Voice of Vocation by Parker J. Palmer

This final book is along the same lines as Emerson (the author is a quasi-Emerson/Thoreau for modern times).

“Ask me whether what I have done is my life.” For some, those words will be nonsense, nothing more than a poet's loose way with language and logic. Of course what I have done is my life! To what am I supposed to compare it? But for others, and I am one, the poet's words will be precise, piercing, and disquieting. They remind me of moments

when it is clear-if I have eyes to see-that the life I am living is not the same as the life that wants to live in me.

Palmer emphasizes the importance of having a “beginner’s mind” and being receptive and open.

Perhaps the key to making new associations is casting a wide net, listening, and simply being ready to catch or receive combinations as they fly by. This final book, along with *Self Reliance* can help you foster the appropriate mindset for creative discovery.

Lest you think none of this applies to investing, it does! Consider this quote from *Efficiently Inefficient: How Smart Money Invests and Market Prices Are Determined*, by Lasse Heje Pedersen:

*In summary, when you are looking for new cool trading ideas, **think about whether there is information that most investors overlook, new ways to combine various sources of information, a smart way to get the information fast, or what type of information is not fully reflected in the price because of limited arbitrage.***

Said differently, apply the principles of creativity to find the best potential investment ideas.

[Sapiens: A Brief History of Humankind by Yuval Noah Harari](#)

This book was so entertaining and useful. It provides a concise history of humankind and outlines why we have the psychology we do today (this part is great for thinking about investor behavior).

*It was only 400,000 years ago that several species of man began to hunt large game on a regular basis, and only in the last 100,000 years – with the rise of Homo sapiens – that man jumped to the top of the food chain. That spectacular leap from the middle to the top had enormous consequences. Other animals at the top of the pyramid, such as lions and sharks, evolved into that position very gradually, over millions of years. This enabled the ecosystem to develop checks and balances that prevent lions and sharks from wreaking too much havoc. As lions became deadlier, so gazelles evolved to run faster, hyenas to cooperate better, and rhinoceroses to be more bad-tempered. In contrast, humankind ascended to the top so quickly that the ecosystem was not given time to adjust. Moreover, humans themselves failed to adjust. Most top predators of the planet are majestic creatures. Millions of years of dominion have filled them with self-confidence. **Sapiens by contrast is more like a banana republic dictator. Having so recently been one of the underdogs of the savannah, we are full of fears and anxieties over our position, which makes us doubly cruel and dangerous.** Many*

historical calamities, from deadly wars to ecological catastrophes, have resulted from this over-hasty jump.

Thai Stick: Surfers, Scammers, and the Untold Story of the Marijuana Trade by Peter Maquire, Mike Ritter

This is from the introduction:

The story you are about to read should—and there are no other words for it—blow your mind. The men—and the relatively few women—you are going to meet took chances on land and sea to make a market in highly potent marijuana. They went from smuggling small loads of weed across the Mexican border to introducing massive shipments of Thai sticks to an international market looking to get stoned in ever more precise and potent ways. These smugglers—“scammers,” as they called themselves—were a mixed bag: a wild bunch of surfer Robin Hoods, crooked watermen looking for their main chance, happy-go-lucky pirates, sweet-talking, back-stabbing narcissists, and deadly sociopaths.

Do I need to entice you more?

Successful Investing Is a Process: Structuring Efficient Portfolios for Outperformance by Jacques Lussier

I enjoyed big sections of this rather “sophisticated” look at the world of investing and asset management. It is definitely not for the faint of heart, but for professionals and committed individual investors, there is a lot of useful information. It begins with the most thorough explanation for why active management will always lose to the market in aggregate, and then proceeds to describe processes which may allow select few disciplined managers to outperform over the long-run. This came in as a suggestion from a reader (thank you!).

The author has met with more than 1,000 managers, so has good perspective:

Some managers should never have existed, a majority of them are good but unremarkable and a few are incredibly sophisticated (but, does sophistication guarantee superior performance?) and/or have good investment processes. However, once you have met with the representatives of dozens of management firms in one particular area of expertise, who declare that they offer a unique expertise and process (although their “uniqueness” argument sometimes seems very familiar), you start asking yourself: How many of these organizations are truly exceptional?

I love this idea from the author:

Our objective is not so much to outperform the market, but to let the market

underperform—a subtle but relevant nuance.

The Professor in the Cage: Why Men Fight and Why We Like to Watch by Jonathan Gottschall

Along the same lines as *Sapiens*, this story of an English professor fighting in mixed martial arts fights is a fun combination of history, psychology, and memoir. It is short (I read it on a quick plane ride), but I still made 40 highlights and 10 notes. He talks about duels, warfare, honor, and authenticity.

This made me think of investing somehow, any active manager, planner, or advisor out there will know what I mean.

Coach Shrader sums things up this way: “Being a fighter [good investor] is about getting comfortable with pain, inside the cage and out. Getting punched in the head sucks. Running sucks. Cutting weight sucks. It all just sucks.”

He talks a lot about how awful yet irresistible war and fighting are:

[Read] William James’s great antiwar essay, “The Moral Equivalent of War.” The essay’s greatness resides not in James’s critique of war, which is conventional, but in the way he acknowledges war’s terrible, irresistible grandeur. James shows us how, from a certain point of view, a world at peace would be unbearably bland. Attributing these views to defenders of militarism, James writes: “The notion of a sheep’s paradise [of world peace] . . . revolts, they say, our higher imagination. Where then would be the steeps of life? . . . [War] is human nature at its highest dynamic. Its ‘horrors’ are a cheap price to pay for rescue from the only alternative supposed, a world of clerks and teachers, of co-education and zo-ophily, of ‘consumer’s leagues’ and ‘associated charities,’ of industrialism unlimited, and feminism unabashed. No scorn, no hardness, no valor any more! Fie upon such a cattleyard of a planet!” Yes, war is a horror, but “the horror makes the thrill.”

Oh, and:

In real life, the Cobra Kai guys would have kicked Daniel-san’s ass, and Mr. Miyagi’s, too.

Value Investing: Tools and Techniques for Intelligent Investment by James Montier

The Value Investors: Lessons from the World's Top Fund Managers by Ronald Chan

Two very fast reads full of fun and useful information on value investing.

Montier is a long-time favorite of mine, and his book is a great collection of ideas. I especially enjoyed the section on short selling. As with all books on value investing, some of the areas have been covered in depth elsewhere, but I enjoy Montier's style. *"The near fatal mistake that investors seem to make repeatedly is to assume that market risk is like roulette. In roulette, the odds are fixed and the actions of other players are irrelevant to your decision. Sadly, our world is more like playing poker. In poker, of course, your decisions are influenced by the behaviour you witness around you."*

As someone who deals with models all day, I also loved this "modeler's oath" put together by Paul Wilmott and Emanuel Derman: *I will remember that I didn't make the world, and it doesn't satisfy my equations. Though I will use models boldly to estimate value, I will not be overly impressed by mathematics. I will never sacrifice reality for elegance without explaining why I have done so. Nor will I give the people who use my model false comfort about its accuracy. Instead, I will make explicit its assumptions and oversights. I understand that my work may have enormous effects on society and the economy, many of them beyond my comprehension.*

Chan's book is more refreshing. It tells twelve stories about successful value fund managers, many of whom I had never come across (mostly managers in Asia). I loved the anecdotes and the emphasis on temperament:

"I think many investors and even investment books like to discuss what the right investment style or method is, but I do not think we should get too bogged down with what is the right or wrong way in the first place. Instead, it is more appropriate to understand oneself before deciding on a specific investment style. "If you are a calm and patient person, then the value investing approach may be right for you; but if you are jumpy and aggressive, then a more trading-oriented style may be more suitable. Investing is not about finding a fixed form, but about understanding your temperamental compatibility towards investing and improving your strategy through time and experience. Otherwise, you are always fighting against yourself!"

[Einstein's Dreams \(Vintage Contemporaries\) by Alan Lightman](#)

In the past I've recommended Lightman's book *The Accidental Universe*. *Einstein's Dreams* is a very different book that uses short stories/vignettes to play with concepts of time. Many are fun and entertaining, and most are profound. Here is a favorite passage:

Consider a world in which cause and effect are erratic. Sometimes the first precedes the second, sometimes the second the first. Or perhaps cause lies forever in the past while effect in the future, but future and past are entwined...In this acausal world, scientists are helpless. Their predictions become postdictions. Their equations become

justifications, their logic, illogic. Scientists turn reckless and mutter like gamblers who cannot stop betting. Scientists are buffoons, not because they are rational but because the cosmos is irrational. Or perhaps it is not because the cosmos is irrational but because they are rational. Who can say which, in an acausal world? In this world, artists are joyous. Unpredictability is the life of their paintings, their music, their novels. They delight in events not forecasted, happenings without explanation, retrospective. Most people have learned how to live in the moment. The argument goes that if the past has uncertain effect on the present, there is no need to dwell on the past. And if the present has little effect on the future, present actions need not be weighed for their consequence. Rather, each act is an island in time, to be judged on its own. Families comfort a dying uncle not because of a likely inheritance, but because he is loved at that moment. Employees are hired not because of their résumés, but because of their good sense in interviews. Clerks trampled by their bosses fight back at each insult, with no fear for their future. It is a world of impulse. It is a world of sincerity. It is a world in which every word spoken speaks just to that moment, every glance given has only one meaning, each touch has no past or no future, each kiss is a kiss of immediacy.

Last Chance to See by Douglas Adams, Mark Carwardine

This is the funniest travel book I've ever read. My wife started giving me looks because it was making me laugh so hard in bed. It is hilarious, but it's also incredibly well written.

This passage made me think of investing and how more people claim to be contrarians than is possible.

When we told our guide that we didn't want to go to all the tourist places, he took us instead to the places where they take tourists who say that they don't want to go to tourist places. These places are, of course, full of tourists. Which is not to say that we weren't tourists every bit as much as the others, but it does highlight the irony that everything you go to see is changed by the very action of going to see it, which is the sort of problem which physicists have been wrestling with for most of this century.

Having been there and seen this happen, this passage cracks me up:

Foreigners are not allowed to drive in China, and you can see why. The Chinese drive, or cycle, according to laws that are simply not apparent to an uninitiated observer, and I'm thinking not merely of the laws of the Highway Code, I'm thinking of the laws of physics. By the end of our stay in China, I had learned to accept that if you are driving along a two-lane road behind another car or truck, and there are two vehicles speeding toward you, one of which is overtaking the other, the immediate response of your driver will be to also pull out and overtake. Somehow, magically, it all works out in the end. What I could never get used to, however, was this situation: the vehicle in front of you is overtaking the vehicle in front of him, and your driver pulls out and overtakes the

overtaking vehicle, just as three other vehicles are coming toward you performing exactly the same maneuver. Presumably Sir Isaac Newton has long ago been discredited as a bourgeois capitalist running-dog lackey.

Tragedy and Hope: A History of the World in Our Time by Carroll Quigley

I don't know where to begin with this book. It's very, very long. I found it to be a more useful version of Spengler's *Decline of the West*. If that isn't your thing, maybe you should skip it. Then again, scratch that, you should read the introductory section—it is so compelling. Thank you to Ted, the reader who emailed me this suggestion.

Two aspects of this history fascinated me most. First, the history of banking and the incredible concentration of power that existed in the era of J.P. Morgan (the man).

This period, 1884-1933, was the period of financial capitalism in which investment bankers moving into commercial banking and insurance on one side and into railroading and heavy industry on the other were able to mobilize enormous wealth and wield enormous economic, political, and social power. Popularly known as "Society," or the "400," they lived a life of dazzling splendor. Sailing the ocean in great private yachts or traveling on land by private trains, they moved in a ceremonious round between their spectacular estates and town houses in Palm Beach, Long Island, the Berkshires, Newport, and Bar Harbor; assembling from their fortress-like New York residences to attend the Metropolitan Opera under the critical eye of Mrs. Astor; or gathering for business meetings of the highest strategic level in the awesome presence of J. P. Morgan himself.

Second, the discussion of how the weapons of an era determine so much of that era's outcomes. The differences between periods of "specialist" weapons and "amateur" weapons are key:

...A period in which weapons were expensive and required long training in their use. Such weapons we call "specialist" weapons. Periods of specialist weapons are generally periods of small armies of professional soldiers (usually mercenaries). In a period of specialist weapons the minority who have such weapons can usually force the majority who lack them to obey; thus a period of specialist weapons tends to give rise to a period of minority rule and authoritarian government. But a period of amateur weapons is a period in which all men are roughly equal in military power, a majority can compel a minority to yield, and majority rule or even democratic government tends to rise... The medieval period in which the best weapon was usually a mounted knight on horseback (clearly a specialist weapon) was a period of minority rule and authoritarian government... But after 1800, guns became cheaper to obtain and easier to use. By 1840 a Colt revolver sold for \$27 and a Springfield musket for not much more, and these were about as good weapons as anyone could get at that time. Thus, mass

armies of citizens, equipped with these cheap and easily used weapons, began to replace armies of professional soldiers, beginning about 1800 in Europe and even earlier in America. At the same time, democratic government began to replace authoritarian governments (but chiefly in those areas where the cheap new weapons were available and local standards of living were high enough to allow people to obtain them).

The book may be long, but it is filled with passages like this summary of economic history, which communicate so much in few words:

This, as we have said, has passed through six successive stages, of which at least four are called "capitalism." Three features are notable about this development as a whole. In the first place, each stage created the conditions which tended to bring about the next stage; therefore we could say, in a sense, that each stage committed suicide. The original economic organization of self-sufficient agrarian units (manors) was in a society organized so that its upper ranks—the lords, lay and ecclesiastical—found their desires for necessities so well met that they sought to exchange their surpluses of necessities for luxuries of remote origin. This gave rise to a trade in foreign luxuries (spices, fine textiles, fine metals) which was the first evidence of the stage of commercial capitalism. In this second stage, mercantile profits and widening markets created a demand for textiles and other goods which could be met only by application of power to production. This gave the third stage: industrial capitalism. The stage of industrial capitalism soon gave rise to such an insatiable demand for heavy fixed capital, like railroad lines, steel mills, shipyards, and so on, that these investments could not be financed from the profits and private fortunes of individual proprietors. New instruments for financing industry came into existence in the form of limited-liability corporations and investment banks. These were soon in a position to control the chief parts of the industrial system, since they provided capital to it. This gave rise to financial capitalism. The control of financial capitalism was used to integrate the industrial system into ever-larger units with interlinking financial controls. This made possible a reduction of competition with a resulting increase in profits. As a result, the industrial system soon found that it was again able to finance its own expansion from its own profits, and, with this achievement, financial controls were weakened, and the stage of monopoly capitalism arrived. In this fifth stage, great industrial units, working together either directly or through cartels and trade associations, were in a position to exploit the majority of the people. The result was a great economic crisis which soon developed into a struggle for control of the state—the minority hoping to use political power to defend their privileged position, the majority hoping to use the state to curtail the power and privileges of the minority.

[The True Believer: Thoughts on the Nature of Mass Movements \(Perennial Classics\) by Eric Hoffer](#)

This book is applicable to just about everyone. It is simultaneously a book on history, psychology, influence, and salesmanship. I found so many great insights into the human

mind and ideas for spreading GOOD messages (even though the book details lots of BAD mass movements, the framework is the same).

Hoffer's book—without intending to, I don't think—also gives food for thought for entrepreneurs and innovators. To boil down the strategy, find the frustrated and provide them with a hope that they can change what is frustrating them and change it very soon (not at some distant point in the future-- a very important distinction!). By focusing on the disaffected, you can find those ready and willing to act. I am using this framework to think about how I can better motivate young people to invest sooner—a tall order given that their retirement is so far away. Some passages:

an effective technique of conversion consists basically in the inculcation and fixation of proclivities and responses indigenous to the frustrated mind... Hence it is that people with a sense of fulfillment think it a good world and would like to conserve it as it is, while the frustrated favor radical change.

Though the disaffected are found in all walks of life, they are most frequent in the following categories: (a) the poor, (b) misfits, (c) outcasts, (d) minorities, (e) adolescent youth, (f) the ambitious (whether facing insurmountable obstacles or unlimited opportunities), (g) those in the grip of some vice or obsession, (h) the impotent (in body or mind), (i) the inordinately selfish, (j) the bored, (k) the sinners.

There is a hope that acts as an explosive, and a hope that disciplines and infuses patience. The difference is between the immediate hope and the distant hope. A rising mass movement preaches the immediate hope. It is intent on stirring its followers to action, and it is the around-the-corner brand of hope that prompts people to act.

Letters of Note: An Eclectic Collection of Correspondence Deserving of a Wider A by Shaun Usher

One of the most enjoyable Christmas presents I've ever received. From Hunter S. Thompson's brilliant life advice, to the never-used speech written in case of an Apollo 11 disaster, to the description of Aldous Huxley's death (and final LSD trip), this book was full of surprises.

I am always on the lookout for market analogies in non-market books, and this quote from E.B. White struck me. Replace "weather" with "markets" and you've got a shrewd observation!

Sailors have an expression about the weather: they say, the weather is a great bluffer. I guess the same is true of our human society—things can look dark, then a break shows in the clouds, and all is changed, sometimes rather suddenly.

Two other passages that really froze me, one terrifying and one eerily wonderful. The first is a letter from Jack the Ripper to a police sergeant Lusk:

From hell

Mr Lusk, Sor I send you half the Kidne I took from one women prasarved it for you tother piece I fried and ate it was very nise. I may send you the bloody knif that took it out if you only wate a whil longer

signed

Catch me when you can Mishter Lusk

The second is Aldous Huxley's wife describing his death:

He was very quiet now; he was very quiet and his legs were getting colder; higher and higher I could see purple areas of cyanosis. Then I began to talk to him, saying, "Light and free." Some of these things I told him at night in these last few weeks before he would go to sleep, and now I said it more convincingly, more intensely—"go, go, let go, darling; forward and up. You are going forward and up; you are going, willingly and consciously, and you are doing this beautifully; you are doing this so beautifully—you are going towards the light; you are going towards a greater love; you are going forward and up. It is so easy; it is so beautiful. You are doing it so beautifully, so easily. Light and free. Forward and up. You are going towards Maria's love with my love. You are going towards a greater love than you have ever known. You are going towards the best, the greatest love, and it is easy, it is so easy, and you are doing it so beautifully.

This is a brilliant book. Just buy it.

[Asset Management: A Systematic Approach to Factor Investing by Andrew Ang](#)

I include this book for those interested in an overview of markets and investing. Its title is misleading: it does discuss what I would call factor investing (value, small cap, etc), but it's pretty introductory. What I enjoyed most was the early chapters on market participants: the roles, sizes, and motivations of sovereign wealth funds, pension plans, corporations, and individual investors. For those just getting interested in markets who want a fairly deep and comprehensive dive (with an academic writing style), this book has lots of good information. Feel free to skip sections that cover familiar ground.

[Incognito: The Secret Lives of the Brain by David Eagleman](#)

Understanding one's own behavior (driven by the brain) is the first step towards investing success. This is one of my favorite books on the brain and the bizarre things it

makes us do. So much of our processing goes on behind the scenes. Consciousness just plays catch up—explaining/justifying behavior after the fact rather than making the decisions like some little commander in the brain.

As Carl Jung put it, “In each of us there is another whom we do not know.” As Pink Floyd put it, “There’s someone in my head, but it’s not me.”

The crux of the question is whether all of your actions are fundamentally on autopilot or whether there is some little bit that is “free” to choose, independent of the rules of biology. This has always been the sticking point for both philosophers and scientists. As far as we can tell, all activity in the brain is driven by other activity in the brain, in a vastly complex, interconnected network. For better or worse, this seems to leave no room for anything other than neural activity—that is, no room for a ghost in the machine. To consider this from the other direction, if free will is to have any effect on the actions of the body, it needs to influence the ongoing brain activity. And to do that, it needs to be physically connected to at least some of the neurons. But we don’t find any spot in the brain that is not itself driven by other parts of the network. Instead, every part of the brain is densely interconnected with—and driven by—other brain parts. And that suggests that no part is independent and therefore “free.

Reading this book further reinforced my belief that humans should be removed from the investing process—there are simply too many biases and quirks baked into the brain to make consistent decisions through time (at least for the vast majority of investors).

Against the Gods: The Remarkable Story of Risk by Peter L. Bernstein

An older book, but a wonderful history of our concept of risk. This is a valuable read for any serious investor out there (and an enjoyable one for casual investors).

The revolutionary idea that defines the boundary between modern times and the past is the mastery of risk: the notion that the future is more than a whim of the gods and that men and women are not passive before nature. Until human beings discovered a way across that boundary, the future was a mirror of the past or the murky domain of oracles and soothsayers who held a monopoly over knowledge of anticipated events.

In 1875, Francis Galton, an amateur mathematician who was Charles Darwin's first cousin, discovered regression to the mean, which explains why pride goeth before a fall and why clouds tend to have silver linings.

The late Fischer Black, a pioneering theoretician of modern finance who moved from M.I.T. to Wall Street, said, “Markets look a lot less efficient from the banks of the Hudson [near Wall Street] than from the banks of the Charles [near M.I.T.]”

Lateral Thinking: Creativity Step by Step (Perennial Library) by Edward de Bono

I found this book refreshing and extremely helpful. In markets, we tend to be deterministic, extrapolative thinkers. We identify (usually short term) fake patterns in what is really just noise and foolishly follow those patterns. This book is an antidote to that sort of pattern based, vertical thinking. I love the idea that, as the author puts it, "lateral thinking can be deliberately perverse." This book pairs very well with *Antifragile*.

Inseparable from the great usefulness of a patterning system are certain limitations. In such a system it is easy to combine patterns or to add to them but it is extremely difficult to restructure them for the patterns control attention. Insight and humour both involve the restructuring of patterns. Creativity also involves restructuring but with more emphasis on the escape from restricting patterns. Lateral thinking involves restructuring, escape and the provocation of new patterns.

The advantages of the preset pattern information system have been mentioned. Basically the advantages are quickness of recognition and hence quickness of reaction. Because one can recognize what one is looking for one can also explore the environment efficiently. The disadvantages are just as definite. Some of the disadvantages of the information handling system of mind are listed here. 1 The patterns tend to become established ever more rigidly since they control attention. 2 It is extremely difficult to change patterns once they have become established. 3 Information that is arranged as part of one pattern cannot easily be used as part of a completely different pattern. 4 There is a tendency towards 'centering' which means that anything which has any resemblance to a standard pattern will be perceived as the standard pattern.

Lateral thinking can be deliberately perverse. With lateral thinking one tries to look at the least obvious approaches rather than the most likely ones. It is the willingness to explore the least likely pathways that is important for often there can be no other reason for exploring such pathways. At the entrance to an unlikely pathway there is nothing to indicate that it is worth exploring and yet it may lead to something useful. With vertical thinking one moves ahead along the widest pathway which is pointing in the right direction. Vertical thinking is a finite process, lateral thinking is a probabilistic one.

Patterns often fool us and make us close-minded. Instead we should be experimental thinkers, seeking out information and perspectives which seem irrelevant, but often prove to be anything but. This book will help you overcome recency bias, confirmation bias, and any tendency to predict the future based only on the perceived patterns of the recent past.

[A Few Lessons from Sherlock Holmes by Peter Bevelin](#)

I wrote a post about how much I loved this book, so check that out [here](#). ([How Sherlock Holmes Can Make You a Better Investor](#))

Werner Herzog - A Guide for the Perplexed: Conversations with Paul Cronin by Paul Cronin

If you have watched and enjoyed any of Werner Herzog's films, you will love this book. It is a harder read if you haven't seen at least a few of his many films, but still worthwhile. His perspective on things is very unique. He has lived a distinct and full life pulling no punches and suffering no fools. I highlighted the hell out of this book because there is nothing more fun than exploring an interested and slightly twisted mind. As I always seem to, I felt that many of his observations applied well to investing. Here are four (unintended) investing insights:

I'm fascinated by the notion of civilisation as a thin layer of ice resting upon a deep ocean of darkness and chaos

The sins, on the other hand, are easy to name. The bad films have taught me most about filmmaking. Seek out the negative definition.

It was instantly clear to me what the key to filmmaking was. They have a beautiful expression in Peru: "Perseverance is where the gods dwell."

The same can be said of human beings, who often give insight into their innermost being when under duress. We are defined in battle. The Greeks had a saying: "A captain only shows during a storm."

It's Earnings That Count by Hewitt Heiserman

This one was a bit meandering, but for anyone interested in accounting and the best calculation of earnings, there are many useful sections. Two definitions (defensive and enterprising, ala Graham) are explored:

Defensive Profit in 30 Seconds - Once you get the hang of things it will take only a few minutes to build a defensive income statement. However, a quick way to determine whether a company can self-fund is to subtract capital spending and acquisitions from operating cash flow. All three numbers are found in the statement of cash flows. Be sure to also subtract from operating cash flow nonoperating sources of cash like the tax benefit from stock-based compensation.

Go to the accrual income statement and find earnings before interest and taxes, or EBIT. Take that number and divide by the sum of debt and stockholders' equity. That's your pretax return on capital. If the return is over 18 percent, the company probably has enterprising profits

I also enjoyed the discussion of “return on the greenest dollar,” basically incremental earnings divided by incremental invested capital.

[The Accidental Universe: The World You Thought You Knew by Alan Lightman](#)

I've long loved physics, but I am unable to do any productive work in the field, so I just read about it often. This was a beautifully written book about current findings (and worldviews) in physics, and the spiritual and epistemological implications of those findings.

The essay “The Spiritual Universe” is worth the price of the book alone.

Bonus Poem – Four Quartets by T.S. Elliot – I found this poem after listening to a great talk on meditation by Shinzen Young. This poem is one of the best I've ever read, incredibly insightful. It highlights how distracted we all are, living gray lives distracted by past and future, at the expense of today. Any fan of poetry will love this.

[Priceless: The Myth of Fair Value \(and How to Take Advantage of It\) by William Poundstone](#)

A fascinating survey of how humans view and assess prices (hint, we stink at it). There are tons of valuable insights in this book, and it is written in a way that makes life easy for the reader. Each short chapter is a lesson with great supporting evidence. If something is boring you (and a few chapters will), just skip to the next chapter. While the author doesn't spend much time on the stock market, big market thinkers like Richard Thaler, Daniel Kahneman and Amos Tversky make regular appearances.

My favorite lessons were on anchoring and relativity. I also enjoyed the section of restaurant menu layout and pricing (you'll start noticing that everywhere you go).

[Scientific Advertising by Claude C. Hopkins](#)

I mentioned this book in my "best of the year post," but wanted to repeat it here because I loved it. It is like a list of first principles for effective communication of ideas. The key point explored here is not just how to get people's attention, but how to get them to TAKE ACTION as well.

Among other things I learned that being succinct can be overrated:

"Some say "Be very brief. People will read for little." Would you say that to a salesman? With a prospect standing before him, would you confine him to any certain number of words? That would be an unthinkable handicap. So in advertising. The only readers we

get are people whom our subject interests. No one reads ads for amusements, long or short."

and that product/service matter above all else (in a related note, here is an [interesting story about service and pricing by game-maker Valve](#)):

The best ads ask no one to buy. That is useless. Often they do not quote a price. They do not say that dealers handle the product. The ads are based entirely on service.

Success by Martin Amis

Because I like to laugh around the holidays. This book is filled with lines like:

"she wants me to take her out to dinner — a flattering irritation. (Sometimes I think she's the best friend I have. At other times I can't imagine minding that much if she died.)"

WAR by Sebastian Junger

This final book is in honor of my best friend from childhood, who is currently serving in Afghanistan in the Army's special forces. *WAR* is an incredible journey into the mind of warriors who are constantly faced with *"The quick chaotic bundling of a man into eternity," as Melville called it; the last impossible phase shift from being a person to being nothing at all.*" This book was the best I've ever read on the psychology of war, so I highly recommend it. To my friend Pete and everyone else serving in the armed forces, I say thank you.

Zero to One by Peter Thiel (With Blake Masters) –

This is an obvious suggestion, because Thiel's book is the talk of the town and sits at the top of bestseller lists everywhere. I still feel obligated to mention it because its rare for a book to be as thought provoking as this one. Thiel asks early and often, "What important truth do very few people agree with you on?" His goal with the question (and the entire book) is to get you to analyze whether what you are producing--be it an investing strategy, a marketing plan, a start-up, or really anything--is really *new* or just an iteration of something that has come before.

So much of investing is herd behavior, this will have you thinking different than the crowd. "Zero to one" means creating something that didn't previously exist as a category, business or style. "One to *N*" means simply improving or iterating something that has already been created. It is humbling to think of one's own efforts in this way, because the vast majority of what we do is one to *N*. This book still has me thinking.

The Lights in the Tunnel: Automation, Accelerating Technology and the Economy of the Future by Martin Ford –

This book does a great job framing the issues that will emerge in an increasingly automated world. Ford's discussion of the pros and cons of automation make for very interesting reading. He addresses what occupations will likely be automated away, and what jobs and skills will be perennially valuable. His proposed solutions may or may not work, but I found his thinking about the future to be very valuable when deciding what skills of my own to focus on. This book is sort of a companion piece to the popular *Second Machine Age*.

The Upanishads (Classic of Indian Spirituality) by Eknath Easwaran

One of my five favorite books of all time. Someday I will write a list of books that changed my life, and this one will probably sit at the top. The wisdom and direction contained in these pages are applicable everywhere in life. It is sobering to think that parts of the text are 8,000 years old but still offer such penetrating insights. As Eknath Easwaran says in the introduction,

Simply knowing there is something unknown beyond [our] reach makes [us] acutely restless. [We] have to see what lies outside – if only, as Mallory said of Everest, “because it’s there.” This is true of adventurers of every kind, but especially of those who seek to explore not mountains or jungles but consciousness itself: whose real drive, we might say, is not so much to know the unknown as to know the knower.

Here is one example of a passage from the Taittreya Upanishad

*The Self in man and in the sun are one.
Those who understand this see through the world
And go beyond the various sheaths
Of being to realize the unity of life.
Those who realize that all life is one
Are at home everywhere and see themselves
In all beings. They sing in wonder:
“I am the food of life, I am, I am;
I eat the food of life, I eat, I eat.
I link food and water, I link, I link.
I am the first-born in the universe;
Older than the gods, I am immortal.
Who shares food with the hungry protects me;
Who shares not with them is consumed by me.
I am this world and I consume this world.
They who understand this understand life.”
This is the Upanishad, the secret teaching.*

Antifragile: Things That Gain from Disorder (Incerto) by Nassim Nicholas Taleb

This book will have you asking yourself many provocative and useful questions. If you read my website, you'll know that I dislike forecasts of any kind because they are usually wrong. *Antifragile* helps you prepare for an uncertain future without having to make any (doomed from the start) predictions. We will never know *what* crazy and unexpected things will happen, but we do know that *some* crazy unexpected things will happen, and being prepared for them can make a huge difference in our lives, businesses, and portfolios. Here are a few choices quotes from the book:

Antifragility is beyond resilience or robustness. The resilient resists shocks and stays the same; the antifragile gets better. This property is behind everything that has changed with time: evolution, culture, ideas, revolutions, political systems, technological innovation, cultural and economic success, corporate survival, good recipes (say, chicken soup or steak tartare with a drop of cognac), the rise of cities, cultures, legal systems, equatorial forests, bacterial resistance ... even our own existence as a species on this planet.

How do you innovate? First, try to get in trouble. I mean serious, but not terminal, trouble. I hold—it is beyond speculation, rather a conviction—that innovation and sophistication spark from initial situations of necessity, in ways that go far beyond the satisfaction of such necessity.

Curiosity is antifragile, like an addiction, and is magnified by attempts to satisfy it—books have a secret mission and ability to multiply, as everyone who has wall-to-wall bookshelves knows well.

[The Robert Collier Letter Book by Robert Collier](#)

In *Antifragile*, Taleb makes the interesting point that the best way to predict what will last long into the future (be it a book, tradition, or technology) is to measure how long it has been around. The longer something has endured, the longer it will likely continue to endure into the future. By this logic, new books that are off the moment are, on average, not as valuable as those that have remained in print for many decades—those that have stood the test of time.

The Robert Collier Letter Book is unusual book for this book list, but it passes Taleb's test having been around for nearly 100 years. Even though it has little to do with investing, I got so much out of it I thought I'd share. It is a book about influence (and sales) through writing. Even though it is almost a century old, the lessons are evergreen and extremely useful. The bottom line is that influence is all about appealing to people's emotions rather than their intellect. Appealing to their intellect is great, but only if it is secondary to an emotional appeal. Through countless examples, Collier outlines how to write in a way that will get you noticed. This would be useful for just about anyone,

because we are all sales people in some way—trying to convince others to do things. A few passages:

Primarily, it is the log book of a long and varied experience. It shows successful ways of selling all manner of products, from coal and coke right on down to socks and dresses. But through all the differences in products and appeals, runs this one connecting thread—that while products and reasons for buying may vary, human nature remains much the same; that familiarity with the thing you are selling is an advantage, but the one essential without which success is impossible in selling, by mail or selling in person, is a thorough understanding of human reactions. Study your reader [prospect] first—your product second.

You may not be trying to start a new religion, but you do want action of some kind. And to get action, you need to arouse emotion on the part of your reader. You may convince his intellect that the thing you want him to do is right and is for his best advantage, but until you arouse in him an urgent desire to do it, until you make him feel that whatever effort it requires is of no account compared with the satisfaction it will bring him, your letter is lacking in its most important essential

“Will a Yellow King Rule the World ?” Which one of us would not be startled enough by such a headline to read on and see if there was any reason to fear that such a thing might ever really happen? “What is the Unpardonable Sin in all Nature?” Can you imagine any reader so biased as not to go on at least a few lines further to find the answer to that question? And if you can lead him on those few lines, it is your own fault if you can not make your story so interesting that it will carry him right down to the last line and the order blank or card that follows”

[A Year with Rumi by Coleman Barks](#)

In the spirit of reading very broadly, I'd also suggest this book of poetry. It is 365 poems by the Persian poet Rumi (1207-1273). There are some arresting and beautiful poems that will make you think. Here are two:

There is one thing in this world which you must never forget to do. If you forget everything else and not this, there is nothing to worry about, but if you remember everything else and forget this, then you will have done nothing in your life. It is as if a king has sent you to some country to do a task, and you perform a hundred other services, but not the one he sent you to do. So human beings come to this world to do particular work. That work is the purpose, and each is specific to the person. If you don't do it, it's as though a knife of the finest tempering were nailed into a wall to hang things on. For a penny an iron nail could be bought to serve for that. Remember the deep root of your being, the presence of your lord. Give your life to the one who already owns your breath and your moments. If you don't, you will be like the one who takes a

precious dagger and hammers it into his kitchen wall for a peg to hold his dipper gourd. You will be wasting valuable keenness and foolishly ignoring your dignity and your purpose.

This is how a human being can change. There is a worm addicted to eating grape leaves. Suddenly, he wakes up, call it grace, whatever, something wakes him, and he is no longer a worm. He is the entire vineyard, and the orchard too, the fruit, the trunks, a growing wisdom and joy that does not need to devour.

[Deep Value by Tobias Carlisle](#)

Tobias was a co-author (along with Wes Grey) for another great book, *Quantitative Value*. This is the best book I've read in some time on value investing. Most books on value investing emphasize a strategy similar to Joel Greenblatt's magic formula: buy good businesses at a good price. This simple strategy sounds intuitive—and it works—but there may be even more impressive returns available to investors willing to get into the nitty gritty of *bad* companies trading at massive discounts. This may sound like shades of Buffett's early career and it is, but Carlisle expands on the deep value concept in a way that is entertaining as hell and ultimately very useful for value investors. One note: the book itself is expensive. I suggest you ignore the price and take the plunge. One person on twitter put it (as cornily as possible): "for *Deep Value*, the price < book value."

[The Outsiders: Eight Unconventional CEOs and Their Radically Rational Blueprint for Success by William N. Thorndike](#)

I know this has been a popular book, but I needed to include it just in case you missed it. Like the bestselling *Good to Great* (not my favorite), this book focuses on just a few stories of successful CEOs and their key people who have created huge amounts of shareholder value. *The Outsiders* contains great lessons for investors because it highlights the importance of capital allocation. CEOs get famous mostly for their ability to build great businesses with revolutionary products and services—but that is only half of their job. The other half is to *use their capital wisely*. Many don't. The ones that do are legends in their own right. Pick this up, and then start buying companies that allocate capital well.

[The Prize by Daniel Yergin](#)

This might be the best book I've ever read. It is long, it is meandering, and it could probably have been 200 pages shorter. Still, it is full of more interesting stories, facts, and history than any book I can recall. Reading the history of the world since 1859 through a lens of oil and gas is just riveting stuff. I read this book because oil & gas investors told me it was their bible. I agree with their assessment, but I think just about anyone would enjoy it. Special extra tip: also read the first part of Yergin's other book *The Quest* which fills in the missing history between the Gulf War and 2012.

The Fourth Revolution: The Global Race to Reinvent the State by John Micklethwait, Adrian Wooldridge

brilliantly well written (no surprise given that it is co-authored by the editor of *The Economist*) book about the current state of global governments and what forces are likely to shape governments in the future. With approval ratings for the American government at or near all-time lows, this is a timely book that highlights some of the ways that America will have to adapt to keep up with the rest of the world. I was captivated by the information on Singapore's long-term ruler, Lee Kuan Yew.

The Fish That Ate the Whale: The Life and Times of America's Banana King by Rich Cohen

I wrote an article called "Lessons from Warren Buffett and the Banana Man" (available here) which highlights some of my favorite sections from this incredible book. It's the most fun book that I've read in a while.

Zemurray was an immigrant with odds stacked against him, but he won through hard work, cunning, determination and, at times, questionable moral fiber. Though Zemurray started small—selling individual bananas (called "ripes") that had been discarded by the major fruit companies—he was soon running a fruit empire, almost single-handedly overthrowing Central American governments, and playing a large influence with the CIA.

It was, in fact, hard to distinguish United Fruit from the CIA in those years. The organizations shared personnel as well as equipment and intelligence. Throughout the Guatemala affair, the CIA used United Fruit ships to smuggle money, men, and guns. When the CIA's funding fell short of its budget, U.F. made up the difference.

It is hard not to love this book.

The Essays of Warren Buffett: Lessons for Corporate America, Third Edition by Lawrence A. Cunningham, Warren E. Buffett

Touting advice from Buffett is so clichéd in the investment world, but for good a reason. Buffet is one of the best writers in the history of investing; his mastery of the analogy as a means to explain complex concepts is without parallel. I've read every one of his shareholder letters cover to cover, but this sequential compilation by Lawrence Cunningham is the best way to read Buffett's endless points of wisdom.

The First Crash by Richard Dale

I read roughly 25 books while doing research for the third chapter—on investor

psychology—of *What Works on Wall Street (Fourth Edition)* (the book was written by my father, James O’Shaughnessy, who was kind enough to give me my first formal writing experience years ago by writing this third chapter).

Perhaps my favorite of these books was *The First Crash* by Richard Dale, which chronicles the South Sea Trading Company bubble of 1720. Like *Devil Take the Hindmost* by Edward Chancellor, this book is an entertaining cautionary tale about investor psychology. Lots of stranger than fiction episodes about the madness of men. It is short and sweet.

The River of Doubt: Theodore Roosevelt's Darkest Journey by Candice Millard

Teddy Roosevelt was cut from a different cloth. His life was one big adventure, and this trip down a dangerous, uncharted river in South America was his crowning jewel. The book reads more like Indiana Jones than non-fiction, complete with impossible odds, deadly rapids (literally), and native, un-assimilated tribes armed with poisoned arrows.

As a man, Teddy was always at the vanguard:

“The ordinary traveller, who never goes off the beaten route and who on this beaten route is carried by others, without himself doing anything or risking anything, does not need to show much more initiative and intelligence than an express package,” Roosevelt sneered. *“He does nothing; others do all the work, show all the forethought, take all the risk—and are entitled to all the credit. He and his valise are carried in practically the same fashion; and for each the achievement stands about on the same plane.”*

For whatever reason, this passage reminded me of the stock market

Like the men’s inability to find game animals, therefore, the difficulty of finding fruit and nuts reflected their own unfamiliarity with the rain forest, and the dizzying complexity of the reproductive systems at work around them. In its intense and remorseless competition for every available nutrient, the Amazon offered little just for the taking

Creativity, Inc.: Overcoming the Unseen Forces That Stand in the Way of True Inspiration by Ed Catmull, Amy Wallace

This book was launched with tons of buzz, and deservedly so. It’s one of the most entertaining and useful business books I’ve ever read. The story behind Pixar is fascinating, but so are the management tactics used to keep the company edgy and creative. I found many ideas applicable to my job and my business. For those that follow asset management companies, there are many similarities between Pixar and Bridgewater. The emphasis on constant candor, honesty, and feedback are essential cultural elements at both firms. I particularly enjoyed the discussion of randomness.

Here are a few teaser quotes:

What is the nature of honesty? If everyone agrees about its importance, why do we find it hard to be frank? How do we think about our own failures and fears?

This principle eludes most people, but it is critical: You are not your idea, and if you identify too closely with your ideas, you will take offense when they are challenged. To set up a healthy feedback system, you must remove power dynamics from the equation—you must enable yourself, in other words, to focus on the problem, not the person.

When I mention authenticity, I am referring to the way that managers level with their people. In many organizations, managers tend to err on the side of secrecy, of keeping things hidden from employees. I believe this is the wrong instinct. A manager's default mode should not be secrecy. What is needed is a thoughtful consideration of the cost of secrecy weighed against the risks. When you instantly resort to secrecy, you are telling people they can't be trusted. When you are candid, you are telling people that you trust them and that there is nothing to fear.

Rational Expectations: Asset Allocation for Investing Adults (Investing for Adults Book 4) by William Bernstein

I've really enjoyed William Bernstein's e-book series, especially this latest one. In typical Bernstein fashion, it's very straightforward and informative. A few choice passages:

Oh, yes, and one more thing. Make sure, absolutely sure, that you have enough riskless assets to tide you over during the bad times, when you are the most likely to see your income fall or even lose your job. Preferably, you should have yet more than this, so as to take advantage of that high exchange rate when it shows up, as it inevitably does. Even more simply: you must have patience, cash, and courage—and in that order. All else, as Hillel said, is commentary.

This is no small point: how much liquidity you have when blood runs in the streets is likely the most important determinant of how successful you'll be in the long run, since this is the time you're most likely to lose your job, need cash to purchase stocks on the cheap, or buy the corner lot you covet from your impecunious neighbor.

Beware! Financial systems are not airfoils or electrical circuits that respond identically, each and every time, to given inputs. Stock, bonds, and portfolios are different animals, and can behave unpredictably.

As One Is: To Free the Mind from All Condition by Jiddu Krishnamurti

This book is only for those interested in philosophy. Krishnamurti always challenges his listeners to think for themselves, to never be "second hand people." In keeping with this month's theme, he also has a lot to say about creativity: "creativity is something that comes into being only when the mind is in a state of no effort." Here are a few passages:

Self-knowledge is the beginning of wisdom. Self-knowledge is not according to some psychologist, book, or philosopher but it is to know oneself as one is from moment to moment. Do you understand? To know oneself is to observe what one thinks, how one feels, not just superficially, but to be deeply aware of what is without condemnation, without judgment, without evaluation or comparison. Try it and you will see how extraordinarily difficult it is for a mind that has been trained for centuries to compare, to condemn, to judge, to evaluate, to stop that whole process and simply to observe what is; but unless this takes place, not only at the superficial level, but right through the whole content of consciousness, there can be no delving into the profundity of the mind.

[You] must have immense patience to find out what is true. Most of us are impatient to get on, to find a result, to achieve a success, a goal, a certain state of happiness, or to experience something to which the mind can cling. But what is needed, I think, is a patience and a perseverance to seek without an end. Most of us are seeking; that is why we are here, but in our search we want to find something, a result, a goal, a state of being in which we can be happy, peaceful; so our search is already determined, is it not? When we seek, we are seeking something which we want, so our search is already established, predetermined, and therefore it is no longer a search. I think it is very important to understand this. When the mind seeks a particular state, a solution to a problem, when it seeks God, truth, or desires a certain experience, whether mystical or any other kind, it has already conceived what it wants; and because it has already conceived, formulated, what it is seeking, its search is infinitely futile. And it is one of the most difficult things to free the mind from this desire to find a result.

So, can I, who have vast education, knowledge, who have had innumerable experiences, struggles, loves, hates—can that ‘I’ come to an end? The ‘I’ is the recorded memory of all that, and can that ‘I’ come to an end? Without being brought to an end by an accident, by a disease, can you and I while sitting here know that end? Then you will find that you will no longer ask foolish questions about death and continuity—whether there is a world hereafter. Then you will know the answer for yourself because that which is unknowable will have come into being. Then you will put aside the whole rigmarole of reincarnation, and the many fears—the fear of living and the fear of dying, the fear of growing old and inflicting on others the trouble of looking after you, the fear of loneliness and dependency—will all have come to an end. These are not vain words. It is only when the mind ceases to think in terms of its own continuity that the unknowable comes into being.

What Works on Wall Street by James O’Shaughnessy

I am, of course, massively biased in this first selection but hear me out. I never like anything just because it was produced by someone well known or well regarded, my father included. But this book is a classic for two reasons. First, its early chapters give an excellent overview of the modern investor’s options and obstacles. These chapters (1-4) explain investor fallibility and how a model-based approach to investing can help investors overcome their inherent faults. Second, the remainder of the book—the “data”

chapters (5-29)—provide extensive evidence in favor of systematic investment strategies that favor value, quality, momentum and yield. My entire personal portfolio is dedicated to these ideas.

Inside the Investor's Brain by Richard Peterson

this is the best book on investor behavior that I've ever read. It is like Daniel Kahneman's *Thinking, Fast and Slow*, but specific to investing. It is comprehensive, entertaining, and chock full of stories and examples that I use on a weekly basis.

Contrarian Investment Strategies by David Dreman

This was one of the first books I read on investing when I was 22 and remains one of the best. It reveals "forecasters" as charlatans, highlights the contrary nature of the most successful investing strategies, and proposes concrete strategies for outmaneuvering the market.

Devil Take the Hindmost by Edward Chancellor

No investing education is complete without a healthy dose of history. Chancellor's book is—BY FAR—the best collection of investing history lessons ever compiled. Learning from your own mistakes is great, but learning from the mistakes of others is even better. This is the most entertaining book on the list.

Saving Capitalism From Short-Termism: How to Build Long-Term Value and Take Back Our Financial Future by Alfred Rappaport

Rappaport is an under-appreciated writer. I discovered him through Michael Mauboussin, who lists Rappaport as an important influence. Mauboussin and Rappaport co-authored another book together called *Expectations Investing*. *Saving Capitalism from Short-Termism* explores the many problems that result from short-term thinking. I spend a chapter in my book on the same topic, which was in part inspired by this great book.

Here's a passage on short-term thinking:

"The practice has persisted over the entire span of human history, from ancient days, when people didn't live long enough to worry about the long term and focused on immediate needs, such as hunger, to today's craving for instant gratification in the face of damaging long-term consequences. Drug abuse, overeating, smoking, and spending rather than saving are vestiges of that ancient attitude."

The Most Important Thing: Uncommon Sense for the Thoughtful Investor by Howard Marks

"To boil it all down to just one sentence, I'd say the necessary condition for the existence of bargains is that perception has to be considerably worse than reality."

Howard Marks rivals Warren Buffett when it comes to quality shareholder letters. This book is the best of those letters and ideas weaved together into a brilliant narrative. One of my favorite books on value/distressed investing.

Here is a good passage:

“Unlike market darlings, the orphan asset is ignored or scorned. To the extent it’s mentioned at all by the media and at cocktail parties, it’s in unflattering terms. • Usually its price has been falling, making the first-level thinker ask, “Who would want to own that?” (It bears repeating that most investors extrapolate past performance, expecting the continuation of trends rather than the far-more-dependable regression to the mean. First-level thinkers tend to view past price weakness as worrisome, not as a sign that the asset has gotten cheaper.) • As a result, a bargain asset tends to be one that’s highly unpopular. Capital stays away from it or flees, and no one can think of a reason to own it.”

The History of Money by Jack Weatherford

Ever since finding this book, I’ve been fascinated with the history of money.

Weatherford's book is my favorite on the subject, because it is equally entertaining and informative. Money is arguably our most important invention, and it has changed a lot over the centuries. This is a great story that will make you think about your money and its future. Weatherford’s book on Genghis Kahn is also fantastic.

“Humans have found many ways to bring order to the phenomenological flow of existence, and money is one of the most important. Money is strictly a human invention in that it is itself a metaphor; it stands for something else. It allows humans to structure life in incredibly complex ways that were not available to them before the invention of money. This metaphorical quality gives it a focal role in the organization of meaning in life. Money represents an infinitely expandable way of structuring value and social relationships—personal, political, and religious as well as commercial and economic.”

Boyd: The Fighter Pilot Who Changed the Art of War by Robert Coram

This guy was incredible in three different ways. First, he was the best fighter pilot in the Air Force. He was nicknamed “40-second Boyd” because it never took him more than 40 seconds to defeat someone in the air. Second, he was a remarkable thinker. He created a formula (E-M theory) that was the basis for designing new planes (the F-15 and F-16 being the two main ones) and for evaluating the performance of any fighter plane in the air. He also revolutionized military tactics, both in the air and on the ground. Some refer to him as the most important military strategist since Sun Tzu. His ideas were put to use by the Marines in the Gulf War and resulted in a lopsided victory for the United States. Third, he was a fighter. He didn’t give a crap about money or rank. He told his acolytes that in life you could *be* somebody, or you could *do* something. Doers don’t rise in the ranks or get the accolades, but they make a difference in the world. Boyd was a doer.

Here is a great passage about Boyd, the civil rights activist:

One day in 1957 a new instructor came to the FWS: First Lieutenant Oscar T. Brooks. He was black. The next Friday rolled around and by midmorning Boyd's staff was preparing to leave for the drive down Las Vegas Boulevard to the Sahara. Spradling pulled Boyd aside, nodded toward Lieutenant Brooks, who was standing across the room, and said, "John, is this a good idea?" "Is what a good idea?" "Taking Oscar to the Sahara. They will throw us out if Oscar goes. He's going to be embarrassed." Boyd turned to Spradling and his voice was low and urgent and intense. "Sprad, goddammit, he's going. We're going down there as a group and if they kick us out they'll have to kick out the whole base. They'll have to kick out the fucking U.S. Air Force."

Adapt: Why Success Always Starts with Failure by Tim Harford

"The art of success is to fail productively"

Using excellent examples, Tim Harford explains that to make progress, you must fail often and fail productively. You will finish this book ready to face failure, and excited to experiment in life and business: trying new approaches until you stumble upon something great.