

BOOK REVIEW:

The Psychology of Money: Timeless lessons on Wealth, Greed and Happiness

by **MORGAN HOUSEL**

Reviewed by:

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The bestselling book by Morgan Housel about the whole circle of behaviour aspects that surrounds the money has become distinct as it elaborates developing idiosyncratic behaviour patterns devoid of greed, impatience and uncertainty so that multiplying effect of money can take the natural compounding trajectory. Contrary to the conventional notion that greed accompanied by speedy knee-jerk response makes the money grow. The book emphasises that behavioural dualities like greed/optimism, certainty/ uncertainty, patience/impatience and sense of security/insecurity frame the soft power of money, once it gets established the hard power concerning money the fundamental and security analysis become relevant. The book further demonstrates through practical real life examples of individuals, companies and factual analogy with financial events of recessions and buoyancy that which set of soft power leads to growth and even compounding of money and which alternate set of soft power leads to diminishing value and even destruction of money, thereby stating that multiplication and devaluation of money takes place simultaneously depending on the soft power set surrounding the money,

the hard power and analytical aspects of money is based and builds up only when the soft power expressing through psychological and behavioural aspects sets-in first.

The book demonstrates that soft power and ensuing psychological and behaviour track is always individualistic and specific as, if a person had gone through a phase of recession and stock price erosion, he becomes sceptic, uncertain with high stock return and develops a behaviour pattern towards certain return of debt fund whereas another person who passes through stock growth phase develops a behavioural pattern of certainty towards high stock return. The behaviour trait of patience or impatience towards stock return also builds up depending upon specific economic environment of the individual exposure.

The author extensively uses aphorisms that define the financial attitude of an individual, an entire dimension to understand money, like 'history never repeats itself but man does' means succumbing to same mistake always which requires updating, 'you are one person in a game with 7 billion other people and infinite moving part' means there is unimaginable opportunities surrounding

money, 'saving is income minus ego' means save money based on facts, 'happiness is results minus expectations' means expectations must be managed rationally, 'Individual wealth is what you don't see, hidden' it states that control over greed and fear along with patience creates further money, 'customer is always right and customer don't know what they want' means wants and need are also created and the winning edge 'The man who can do the average thing when all those around him are going crazy' that states that common senses prevails over chaos around money.

Hence the book establishes that physical assets created out of money are its outcome

not the creation, which entirely is based on soft, psychological and behavioural aspects like how efficiently the greed, fear, anxiety, impatience and uncertainties are managed on which monetisation of the assets are also based. Thus fundamentally the psychological attitude toward the money which is its soft power determines the physical part that is the return and asset part of the money. The author through this book successfully shifts *raison d'être* of money towards psychological and behavioural attitude of individual and justify book's immense popularity.