

# RATIONALITY

THE ANTIDOTE TO BEING FOOLED BY THE INDUSTRY



Inspired by Nassim N. Taleb's works *The Black Swan*, *Antifragile*,  
and *Skin in the Game*

Klaus Grobys

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— Inspired by Nassim N. Taleb's works *The Black Swan*, *Antifragile*, and *Skin in the Game*

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“Enter through the narrow gate. For wide is the gate and broad is the road that leads to destruction, and many enter through it. But small is the gate and narrow the road that leads to life, and only a few find it.”  
(Matthew 7:13–14)

To my beloved daughter Celine Marianne Klausdotter

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## **1. Introduction**

Writing an interesting book that provides novel insights or views is certainly not an easy thing to do, and most books that are written don't turn out to be bestsellers. A friend once told me, "There are no bad books." In a sense, I agree with him. Every book contains something unique, and no one would spend hundreds of hours organizing thoughts, writing, rewriting, and editing if they weren't convinced of something along these lines: "I have something to say that I think could be important or at least interesting." I believe I have such a contribution. Luckily, I live in a country that ensures the right to freedom of speech—which serves as an antidote to ignorance and corruption—allowing me to express myself without interference or regulation. That's what I make use of here because the objective of my work is not to butter up lobbies promoting "political correctness," but to derive, discuss, and elaborate on the concept of rationality. As we'll see, at times these two issues seem to be mutually exclusive. With that in mind, let's start our journey.

What's the difference between the world in which we live now and the world, let's say, 100 years ago? In 1920, people who had savings had invested either in bonds or stocks or had accrued interest in savings accounts. In the United States, people paid for their goods in dollars (\$), and in the United Kingdom, people paid for their goods in British pounds. The monetary systems in these economies were built upon trust. For instance, in the United States, the dollar had the so-called "gold standard," meaning the price of gold was fixed at \$20.67 per ounce. This means that an individual could change dollars into gold with this fixed relation. The gold standard was the foundation of trust: people had certainty about their money being worth something "concrete."

At this time, people ate mainly unprocessed food, and because there was no abundance of food supply, people typically did not overeat. Family was important. Religion was also an integral part of life, and on Sundays, it wasn't unusual for people to go to church. A family was defined as consisting of one mother, one father, and their biological children. Back then, grandparents were an important part of families also. While parents were typically in their early to mid-20s, grandparents were perhaps in their late 40s, and hence, could happily watch their grandchildren grow up.

As for people who didn't live up to the traditional social codex, they were typically not celebrated in the early 1900s, so they had a strong incentive to act in line with the prevalent traditional social rules. Even though this mechanism, which had the purpose to stabilize society, worked out, some

minorities were probably less happy about it. However, stability and survival of the larger group—corresponding to the vast majority of the “tribe”—was considered more important than the flourishing of small lobbies living “on the edge of society.” Frankly speaking, the traditional social codex had the purpose to ensure order in society.

How has the world changed since then? Let’s start with the monetary system. The price of gold, which was fixed at \$20.67 per ounce in 1834 in the United States, remained stable until 1933. Other major countries followed the gold standard in the 1870s. Interestingly, in the period between 1880 and 1914, which is known as the “classical gold standard,” economies experienced unprecedented economic growth, with relatively free trade in goods, labor, and capital. However, during World War I, the gold standard broke down because belligerent leaders started to print too much money and, from 1925 to 1931, instated an alternative, the so-called “gold-exchange standard,” in which countries could hold gold or dollars or pounds as reserves—except for the United States and the United Kingdom, which held reserves in gold only.

However, in 1931, the gold-exchange standard broke down following Great Britain’s departure from gold because of extreme outflows of gold and capital. Notably, in 1933, United States President Roosevelt nationalized gold owned by private citizens and cancelled contracts in which payment was specified in gold. In the post–World War II period, between 1946 and 1971, western countries operated under the so-called “Bretton Woods” system, in which a further modification of the gold standard was implemented such that most countries settled their international balances in dollars, whereas the United States government promised to redeem other central banks’ holdings of dollars for gold at a fixed rate of \$35 per ounce.

Accumulated United States balance-of-payments deficits steadily reduced the nation’s gold reserves, inevitably resulting in reduced trust in the ability of the United States to redeem its currency in gold. As a consequence, on August 15, 1971, United States President Nixon announced that the country would no longer redeem currency for gold, serving as the final step in abandoning the gold standard. What happened in the wake of abandoning the gold standard? In this regard, the great mathematician Benoit Mandelbrot<sup>1</sup>

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<sup>1</sup> Benoit Mandelbrot was a French-American mathematician with broad interests in the practical sciences, especially regarding what he labeled “the art of roughness” of physical phenomena. He is well-recognized for his contribution to the field of fractal geometry and developed a theory of “roughness and self-similarity” in nature. His research also had an enormous impact on economic sciences. Robert Pardo called Benoit Mandelbrot “a mathematical genius” in his

highlighted, “The bear market of 1973–1974 wiped 43 percent off stock values, and the end of the gold standard for the dollar turned the sleepy currency market into the world’s largest casino.”<sup>2</sup>

The great virtue of the gold standard was that it assured long-term price stability in terms of low inflation. The average annual inflation rate between 1880 and 1914 was 0.1%, whereas between 1946 and 2003 the average was 4.1%. Furthermore, because the gold standard gave governments very little scope for discretion to use monetary policy, economies having adopted the gold standard were less able to avoid monetary or real shocks. As a consequence, real output was more variable under the gold standard and unemployment was slightly higher. The evolution of output and (un)employment followed its natural, unconstrained course.

What’s the monetary status today? Nowadays, governments have, in association with central banks, the possibility to print money in an attempt to, for instance, (artificially) keep unemployment low. While this may seem a *prima facie* remedy, it comes with costs. Printing more money doesn’t necessarily increase real economic output. Indeed, if more money is printed, consumers are able to purchase more goods, but if companies cannot produce more goods, they will eventually respond by raising prices which, in turn, may cause inflation and, consequently, long-term price instability.

The question arises, then—why is inflation such a problem? If inflation increases, the real value of savings decreases. If one has \$100 in their bank account and annual inflation is 5% over a 10-year period, assuming no interest is accrued on the bank account, the purchasing power of that \$100 decreases by a substantial margin, corresponding to roughly only \$60. Acknowledging the saying, “One man’s joy is another man’s sorrow,” though, while inflation erodes the value of one person’s savings, at the same time, it erodes the value of the government’s debts. Thus, by maintaining a regime of high inflation while keeping interest rates low—as with the Bretton Woods system—the United States government could get rid of its debts. Obviously, during World War II, debts had accumulated in the United States, and their real value significantly decreased under the Bretton Woods system (though the general public perhaps didn’t recognize this correlation).

Moreover, if inflation is high, prices frequently change, which may cause economic uncertainty and confusion. Because pronounced periods of high

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book *The Evaluation and Optimization of Trading Strategies* because Mandelbrot was the first who recognized that financial returns follow a fractal distribution and not a Gaussian.

<sup>2</sup> Mandelbrot, B. (2008). *The (Mis)Behavior of Financial Markets: A fractal view of Risk, Ruin, and Reward*, p. 76.

inflation discourage firms from investing, they may also cause lower economic growth. In this regard, a study exploring the effect of inflation on stock prices in international equity market drew the following conclusion: “Taken together, the results presented in this paper for the decade of the 1970’s are consistent with the initial indications that stock prices are negatively related to nominal interest rates and the inflation in a number of countries.”<sup>3</sup> This finding has been confirmed by plenty of follow-up studies.<sup>4</sup>

Furthermore, governments borrow by selling government bonds to the private sector. From an investor’s point of view, buying bonds is a form of saving, with people only keeping those bonds as long as they believe that government bonds are a “safe” investment. This investment implies, however, that the investor assumes that inflation will remain low. Printing money to pay back national debts can increase inflation, which in turn, reduces the value of bonds. Therefore, if inflation increases, investors will be less willing to hold bonds because their value is expected to fall.

As a result, under high inflation, governments find it difficult to sell their bonds to finance accumulated national debts. In order to attract investors, government bonds need to pay higher interest rates. If a government prints money in an exaggerated manner and inflation dramatically increases, investors will not trust the government anymore, and it will be hard for that government to borrow anything at all. Needless to say, excessively printing money could create more problems than it actually solves.

The government of the United States, followed by many other governments of western countries, has printed money in an attempt to support deficit spending over many years. In this regard, financial expert and well-known hedge fund manager Ray Dalio<sup>5</sup> stated, “Large government deficits exist and will almost certainly increase substantially, which will require huge amounts of more debt to be sold by governments – amounts that cannot naturally be absorbed without driving up interest rates at a time when an interest rate rise would be devastating for markets and economies because the world is so

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<sup>3</sup> Richard A. Cohn, R.A., D. R. Lessard (1981). The Effect of Inflation on Stock Prices: International Evidence, *Journal of Finance* 36, p. 287.

<sup>4</sup> Recall the saying, “One man’s joy is another man’s sorrow”—some industries might actually do well in the presence of increasing inflation.

<sup>5</sup> Ray Dalio is an American billionaire investor and hedge fund manager who founded the company Bridgewater Associates, which manages the world’s largest hedge fund. He is regarded as one of the greatest innovators in the finance world, having popularized many commonly used practices, such as risk parity and currency overlay (or portable alpha), among others. He authored the bestseller *Principles* and is frequently interviewed by the media.

leveraged long.” In a CNBC interview that took place in November 2019, he summed up his view: “The world has gone mad and the system is broken.”

In his *Forbes* article entitled “Can The Federal Reserve Print Money Forever? Or, How Continuing To Print Money To Support Deficit Spending May End Badly, With China’s Help” published on October 21, 2020, contributor William Meehan began with a statement from *The New York Times*: “The federal budget deficit soared to a record \$3.1 trillion in the 2020 fiscal year ... The federal government spent \$6.55 trillion in 2020, while tax receipts and other revenue trailed at \$3.42 trillion. Much of the spending came from the \$2.2 trillion economic relief package that Congress passed in March ... The deficit – the gap between what the U.S. spends and what it earns through tax receipts and other revenue – was \$2 trillion more than what the White House’s budget forecast in February. It was also three times as large as the 2019 deficit of \$984 billion.”

Meehan noted furthermore that “for the first time U.S. debt is now about equal to Gross Domestic Product (GDP), like the sound barrier we once thought if we hit it we might explode.” It’s important to bear in mind that in this article, Meehan mainly focused on the growth in debt as opposed to the growth in GDP. As of this writing, the total national debt in the United States exceeds \$30 trillion. There is actually a clock that documents the accumulated national debt at [usdebtclock.org](http://usdebtclock.org). Needless to say, in other western countries, the national debt situation does not look much better, relatively speaking. One may wonder, “Who has to pay back the debts?”—the future generation is likely to carry that burden.

Living in a state of persistent overconsumption, western countries have accumulated so much debt that I wonder, though, if future generations will actually be ever able to pay back all that debt. It’s natural, then, as well, to wonder if there is an alternative to this consequence. People often think that what worked in the past will work in the future, so politicians in the United States could be tempted to think that a regime of negative real interest rates—that is, a regime wherein the inflation is high but the interest rates are kept close to zero—might “do the job.” Let’s imagine we’re political decision-makers and we print enough money to reach a target inflation of, let’s say, 5%. Moreover, we agree with the central bank, the Federal Reserve, to keep interest rates at 0%. This means—all else being equal, as we economists like to assume—debt will be worth only 95% of its original in the next year. In 2 years, debt, if worth 95% of 95%, will be 90.25% of its original, and so on. So, after 13 years, debt burden will be decreased by a whopping 50%. This

was certainly a great idea in the 1950s and 1960s when the United States was the most economically (and militarily) powerful country in the world.

However, I see a couple of problems with this approach, given that interdependencies among countries have been subject to changes since the mid-20th century. For instance, I believe that China—which probably holds “the lion’s share” of United States debts—would not be pleased with its assets becoming worthless over time. Moreover, the general public is not as stupid as some politicians would like to believe, and at some point, even simple or otherwise accepting folks would recognize that their savings are becoming worthless. A person justifiably gets angry if a thief steals their money, a situation from which the government is not exempt. Even 20 years ago, I remember my grandfather telling me, “I’m glad that I don’t have to live to see what your generation will be supposed to go through.”

In the period between 2008 and 2009, the world went through what is now known as the Global Financial Crisis—a severe worldwide economic crisis considered the most serious financial crisis since the Great Depression of 1929. During that time, financial institutions worldwide suffered severe damage, with the peak perhaps being the bankruptcy of Lehman Brothers Holdings on September 15, 2008. A subsequent international banking crisis ensued, followed by a collapse in the housing market, business failures, and a period of high unemployment.

But what caused this economic chaos? Economists and politicians have typically argued the main culprit to be the collapse of the subprime mortgage market—defaults on high-risk housing loans—which resulted in a credit crunch in the global banking system and a precipitous drop in bank lending. Of course, the reasons are far more complex. The root cause for the disaster involved, among others, widespread failures in government regulations, as well as excessive risk-taking by Wall Street bankers. This issue will be covered later in more detail.

Unsurprisingly, these incidents in financial markets resulted in a severe degradation of trust in the centralized monetary system. One consequence of increasing distrust in the centralized monetary system was manifested in the rise of “cryptocurrencies.” The first cryptocurrency, Bitcoin, was created in the wake of the turmoil of the financial crisis in 2008 because distrust grew in banks and their role in the financial system. A group of anonymous developers calling themselves “Satoshi Nakamoto” issued a white paper to address the perceived problem of “centralized control of money” and the trust required for dealing with citizens’ cash.

Whereas in the traditional financial system transactions can be reversed by third parties, Bitcoin was presented as a new way to transact without using a third party; that is, the Bitcoin system uses cryptographic proof to maintain the integrity of the network instead of relying on third-party banks and other institutions serving as intermediaries. It is interesting to note that Bitcoin was released on the same day banks were given a \$900 billion bailout by the United States government—January 3, 2009. Apart from being decentralized by its peer-to-peer system to verify transactions and adding the verified transactions to blocks on the blockchain, Bitcoin transactions ensure that users have some degree of anonymity. Like in any other economic system, Bitcoin’s price is determined by supply and demand. Because the supply of Bitcoin is fixed and is expected to reach its maximum supply of 21 million units of Bitcoin in the year 2140 (approximately), the price is basically solely driven by the demand side—the users.

Starting with prices close to \$0 in 2009, the price for one unit of Bitcoin exceeded \$60,000 in 2021— meaning that the overall market capitalization of Bitcoin went from close to zero in 2009 to more than \$1.1 trillion in 2021. It may not be surprising that cryptocurrencies, especially Bitcoin, which is the most dominant cryptocurrency as of this writing in terms of its market capitalization, have become subject to intensive academic research.

One may ask, “What’s the utility of Bitcoin?” or “What can you buy with a unit of Bitcoin?”—the answer is “Not much,” at least as of the current writing. A piece of chocolate at the grocery store cannot even be purchased with a digital token. Indeed, financial experts like Ray Dalio have underscored that Bitcoin’s intrinsic value is zero. In this regard, well-known intellectual, best-selling author, and scientist Nassim Taleb<sup>6</sup> argued, “Gold and other precious metals are largely maintenance free, do not degrade over an historical horizon, and do not require maintenance to refresh their physical properties over time. Cryptocurrencies require a sustained amount of interest in them ... In its current version, in spite of the hype, bitcoin failed to satisfy the notion of ‘currency without government’ (it proved to not even be a currency at all), can be neither a short nor long term store of value (its

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<sup>6</sup> Nassim N. Taleb is a Lebanese-American essayist, mathematical statistician, former options trader, and risk analyst whose work deals with the problems of randomness and uncertainty. *The Sunday Times* called his 2007 book *The Black Swan* one of the 12 most influential books since World War II. Moreover, he held the position of distinguished professor of risk engineering at the New York University Tandon School of Engineering. He has also been a practitioner of mathematical finance and serves as a scientific adviser at *Universa Investments*, a hedge fund company.

expected value is no higher than 0), cannot operate as a reliable inflation hedge, and, worst of all, does not constitute, not even remotely, a safe haven for one's investments, a shield against government tyranny, or a tail protection vehicle for catastrophic episodes. Furthermore, bitcoin promoters appear to conflate the success of a payment mechanism (as a decentralized mode of exchange), which so far has failed, with the speculative variations in the price of a zero-sum maximally fragile asset with massive negative externalities.”<sup>7</sup>

Unsurprisingly, in view of this development in the financial sphere, the “Greater Fool Theory” has been proposed, suggesting that during a market “bubble” one can make profits by buying overvalued assets and selling them for a profit later, as it will always be possible to find someone willing to pay an even higher price for them—a greater fool. Who are those fools, then? Who are the users of cryptocurrencies such as Bitcoin?” Researchers Sean Foley, Jonathan Karlsen, and Tālis Putniņš explored this issue in more detail. In their research study entitled “Sex, Drugs, and Bitcoin: How Much Illegal Activity Is Financed through Cryptocurrencies?” published in well-known scientific journal *The Review of Financial Studies*, the researchers proposed a model to identify illegal activities in Bitcoin. Their findings indicated that about one-quarter of all users (26%) and close to one-half of Bitcoin transactions (46%) are associated with illegal activity.<sup>8</sup>

It may be not surprising that cryptocurrencies became the currency of choice for many drug dealers and extortionists because of the opportunities to hide behind the presumed privacy and anonymity. In my own research, I have investigated some of the risks associated with cryptocurrencies and found, just as one example, that as of this writing, about 10% of the overall Bitcoin supply has already been stolen in cyberattacks.

Specifically, in the period between 2011 and 2021, about 1.7 million units of Bitcoin were stolen, corresponding to losses exceeding \$700 million. In my research study, “What’s the expected loss when Bitcoin is under cyberattack? A fractal process analysis,” which was published in the *Journal of International Financial Markets, Institutions and Money*, my coauthors and I showed that the expected loss given a cyberattack is about 100,000 units

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<sup>7</sup> Taleb, N. N. (2021). Bitcoin, currencies, and fragility, *Quantitative Finance* 21, p. 1249-1250.

<sup>8</sup> Foley, S., Karlsen, J. K., Y. J. Putniņš (2019). Sex, Drugs, and Bitcoin: How Much Illegal Activity Is Financed through Cryptocurrencies?, *The Review of Financial Studies* 32(5), pp. 1798–1853.

of Bitcoin.<sup>9</sup> If Bitcoin were traded above \$60,000—which was the case in 2021—the expected loss would then exceed \$6 billion. That’s quite a lot of money, isn’t it? And yet, the market remains unregulated despite governments being aware of these issues.

We have also seen that not only do criminals use cryptocurrencies for illegal transactions and money laundering, they also use them to steal from each other. Despite these serious issues, the rise of Bitcoin and other cryptocurrencies in association with declining cash usage might have given new impetus for central banks to consider launching their own digital currencies.<sup>10</sup> For instance, recently, the United Kingdom government explored the objectives, use cases, opportunities, and risks involved with a digital version of the British pound. As a result, a new task force was engaged between Her Majesty’s Treasury and the Bank of England to coordinate exploratory work on a potential central bank digital currency. However, opinions diverge on whether blockchain-based digital money should replace the current monetary system.

As an example, Aleksi Grym, head of the Digital Central Bank process in the Financial Stability and Statistics Department at the Bank of Finland, argued that a blockchain network would be slow, would be poorly scalable, would have latency issues, and would be complicated to govern. He also emphasized that “because you have a centralized issuer, it really doesn’t make sense to then decentralize the record keeping.”<sup>11</sup> However, a 2020 survey conducted by the Bank for International Settlements showed nearly every central bank in the world having done at least some work on digital currency. About 60% are working on “proof-of-concept” testing, but so far only 14% have actually started with a pilot program or are in the process of development. In this regard, Chetan Ahya, chief economist at Morgan Stanley, argued that “a major move to introduce central bank digital currencies (CBDCs) could actually disrupt the financial system.”<sup>12</sup>

Summing up, the time-honored gold standard involved some degree of fluctuation in an economy’s output and employment, but it was nevertheless

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<sup>9</sup> Grobys, K., Dufitinema, J., Sapkota, N., J. W. Kolari (2022). What’s the expected loss when Bitcoin is under cyberattack? A fractal process analysis, *Journal of International Financial Markets, Institutions and Money* 77, 101534.

<sup>10</sup> See <https://www.cnn.com/2021/04/19/uk-to-explore-issuing-its-own-digital-currency-amid-bitcoin-boom.html/>.

<sup>11</sup> See <https://www.linkedin.com/pulse/getting-real-central-bank-digital-currency-cbdc-aleksi-grym/>.

<sup>12</sup> See <https://www.cnn.com/2021/04/19/central-bank-digital-currency-is-the-next-major-financial-disruptor.html/>.

built upon trust. Traditionally, gold was used as a storage of value for thousands of years. Abandoning the gold standard opened the door for excessive money-printing, which, in turn, meant jeopardizing the trust of people. It takes a long time to build trust, but it may only take an instant to destroy it. Distrust in the monetary system manifested itself, for instance, in the rise of cryptocurrencies, which are based on the ideology of complete distrust in other operators because there are no partial custodians with cryptocurrencies; the cryptocurrency system is fully distributed, and foolish people in cyberspace are willing to pay more than \$60,000 for something that has an intrinsic value of zero.

On top of that, it seems obvious that excessive money-printing to finance either wars or overconsumption is a short-minded endeavor; in the end, someone needs to pay the bill. Either the current generation will suffer, or future generations will suffer, a circumstance that may manifest itself with considerably constrained consumption. From my point of view, there is no such thing as a “friendly” solution to this problem, not to mention the question of what such a solution might look like. This kind of wishful thinking doesn’t make any sense to me. To put it in the parlance of Ray Dalio, “The world has gone mad and the [monetary] system is broken.”

Moving onto another important domain of human life, let’s talk about family.

What has happened in the last 100 years regarding family? What developments took place? Well-known psychologist and author Martin Seligman<sup>13</sup> introduced the second edition of his book *Learned Optimism* as follows: “Why is it that in a nation that has more money, more power, more records, more books, and more education, that depression should be so much more prevalent than it was when the nation was less prosperous and less powerful?”<sup>14</sup> Three forces have now converged, and I want to emphasize the third because it is the most surprising and least congenial ... briefly, the first is that, in general, depression is a disorder of the ‘I,’ failing in your own eyes relative to your goals. In a society in which individualism is becoming

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<sup>13</sup> Martin E. P. Seligman is an American psychologist, educator, and author. He is a strong promoter within the scientific community of his theories of positive psychology. His theory of learned helplessness is well-recognized among both scientific and clinical psychologists. Notably, a *Review of General Psychology* survey, published in 2002, ranked him as the 31st most-cited psychologist of the 20th century. He serves as a professor of psychology in the University of Pennsylvania’s Department of Psychology. Moreover, he was elected president of the American Psychological Association for 1998.

<sup>14</sup> Here, Seligman refers to the United States. Nevertheless, I think what he elaborates upon can be applied to any western country.

rampant, people more and more believe that they are the center of the world. Such a belief system makes individual failure almost inconsolable.

Individual failure used to be buffered by the second force, the large 'we.' When our grandparents failed, they had comfortable spiritual furniture to rest in. They had, for the most part, their relationship to God, their relationship to a nation they loved, their relationship to a community and a large extended family. Faith in God, community, nation, and the large extended family have all eroded in the last forty years, and the spiritual furniture that we used to sit in has become threadbare. But it is the third force, the self-esteem movement, that I want to emphasize. I have five children who range in age from four to twenty-eight. So I have had the privilege of reading children's books every night for a whole generation, and I have seen a sea change in children's books over the last twenty-five years. Twenty-five years ago (as it was during the time of the Great Depression), the emblematic children's book was *The Little Engine That Could*. It is about doing well in the world, about persisting and therefore overcoming obstacles. Now many children's books are about feeling good, having high self-esteem, and exuding confidence.

This is a manifestation of the self-esteem movement, a movement which started, not surprisingly, in California in the 1960s. In 1990, the California legislature sponsored a report that suggested that self-esteem be taught in every classroom as a 'vaccine' against social ills, such as drug addiction, suicide, welfare dependency, teenage pregnancy, and depression (Toward a State of Esteem, 1990). The self-esteem movement is a movement with teeth; this is the movement underlying the demise of IQ testing, lest children who score low feel badly about themselves. This is the movement underlying the end of tracking in our public schools, lest kids of lower tracks feel badly about themselves. This is the movement that has made *competition* a dirty word. This is a movement that has led to less plain old hard work. Shirley MacLaine suggested to President Clinton that he create a cabinet-level Secretary of Self-Esteem.

I am not against self-esteem, but I believe that self-esteem is just a meter that reads out the state of the system. It is not an end in itself. When you are doing well in school or work, when you are doing well with the people you love, when you are doing well in play, the meter will register high. When you are doing badly, it will register low. I have scoured the self-esteem literature looking for the causality as opposed to correlation, looking for any evidence that high self-esteem among youngsters causes better grades, more popularity, less teenage pregnancy, less dependence on welfare, as the California report contends. There is a simple experimental design which



About this book: Inspired by Nassim N. Taleb's works *The Black Swan*, *Antifragile*, and *Skin in the Game*, Klaus Grobys explores how rationality and irrationality are manifested in human behavior across various domains of human life. The stories discussed in this book are based on real-life observations. This work deals with political incorrectness, the presence of concentration in virtually all domains of human life, the carelessness of industries manifested in profit-maximizing at the expense of simple folks, and various other issues that many authors typically avoid. The objective of this book is first to acquaint the reader with a new perspective concerning the concept of rationality and second to equip the reader to identify traps set up by profit-maximizing industries and self-serving lobbies.

About the author: Klaus Grobys holds a PhD in finance from the University of Vaasa, where he has the position of associate professor of finance. He worked in the finance industry for several years as risk analyst. Klaus Grobys' research is published in prestigious outlets such as the *Journal of Empirical Finance*, *Journal of Financial Research*, and *Quantitative Finance*. His research has received enormous media attention, having been covered by *The New York Times*, *Forbes*, and *Alphaarchitect.com*. Apart from his professional merits, Klaus Grobys has a considerable track record of accomplishments in sports. Apart from placing in the top three competitors in various fitness-related sports at the national level, he was the Fitness Five National Champion in Sweden in 2018. He was also awarded the first-degree black belt in taekwondo from the World Taekwondo Federation in 2019 and he placed in the top three competitors at various full-contact taekwondo tournaments.

