



Marcellus: The Simplicity Paradigm

The human mind fools itself into thinking it has no limits, when the truth is anything but. Understanding those limits is the key towards leading a simpler, more productive life. In a 10-part series, The Simplicity Paradigm, we will look at how to get there. Here's the first.

The need to learn, to grow and to help kindred spirits

When I quit my previous job, I told myself that I would push myself to master a new skill or a new subject before I began managing money at Marcellus. Therefore when the folks at The Ken (<https://the-ken.com/>) asked me to write for them, I chose a subject which was unfamiliar to me and which I felt would stretch me – Psychology.

In July, I teamed up with my friend - Anupam Gupta – and we divided between ourselves a long reading list of books on Psychology. My wife then made sure that I spent three weeks reading in a villa in a Spanish forest (on top of a hill and overlooking the Mediterranean Sea). At night we would sit underneath the star studded sky, watch the shooting stars and drink something nice. Then during the day whilst the family went swimming and hiking, I would read some more.

Anupam and I will write over the next year 10 pieces for The Ken, a website I have long admired for its focus on publishing long, high quality pieces which are unfortunately becoming all too rare in India. [The Caravan is the only other Indian publication I know which publishes long pieces of comparable quality in English.

Interestingly, I have come across several Bengali and Tamil publications which contain outstanding long reads.]

Our first piece is a preview of what is to follow in our next ten pieces. The Ken has very kindly made the first piece available free of charge; click here to access the piece: <https://the-ken.com/story/tsundoku-mental-clutter/>

I have provided a short summary of the piece below.

The Simplicity Paradigm

Cutting edge research is showing is that our minds are actually more messed up than behavioural psychologists had figured out. In particular, psychologists and cognitive scientists like Nick Chater, Steven Sloman and Philip Fernbach are telling us that:

- We suffer from the 'knowledge illusion' i.e. we think we know far more about the world than we actually do. In fact, most of us don't even understand how basic things like bicycles, toilet flushes, and zippers work (let alone understand complex things like global warming, GM foods, and how Reliance Industries Limited makes money).
- We suffer from the 'grand illusion' i.e. we perceive our senses to have a richer picture of the world than we actually do. In reality, when we are reading a page, our eyes can only see on 10-15 letters at a time whereas our perception is that we are taking in the whole page. We cannot multi-task because our brain can only do one thing at a time and our memory is extremely fallible. In fact, we actually remember the past only in bare bone outlines; but because our mind fills in the gaps with colours and sounds (which often have no bearing with the 'real memory' of the real world), we often mistakenly believe that we can recall the past in vivid detail.

So, what are the panaceas?

Firstly, given that our mental processing power is more limited than we think it is, one way to live happier, richer, lives would be to focus on developing one skill very deeply. Thanks to Malcolm Gladwell's bestselling book "The Outliers", we know that if we can practice a skill properly for 10,000 hours then we have a good chance of becoming a world beater.

Secondly, given that our powers of analysis, judgement, and recall are more suspect than we imagined them to be, to make effective decisions – in life, in business, and in investing – we need to make use of thumb rules. These rules could be rules of inclusion (e.g. invest in stocks which generate revenue growth and ROCE beyond a minimum threshold for ten consecutive years) or of exclusion (e.g. do not invest in companies whose debt is more than their equity). These rules could be quantitative (as in the preceding sentence) or they could be qualitative (do not invest in companies which are politically connected).

Thirdly, given the psychological deficits identified by cutting edge science, we now understand why we are so prone to groupthink and herd behaviour. Such behaviour obviously opens up opportunities for those who can think differently and, ideally, think originally. Cutting oneself off from the inane chatter which pervades social and popular media makes it easier to think differently about the world around us.

Nirvana, we believe, lies at the intersection of these three different panaceas. So, for example, if an original thinker specialises in a certain area and develops simple rules for decision making in that area (rules which are initially ignored by mainstream thinkers) you can guess what might happen. Our brains are less powerful than we think but our genius lies in understanding it, coming to terms with it, and then winning in the real world inspite of it.

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