

Alan Greenspan Abducted By Aliens

By Mariko Gordon*

March 17, 2009

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Seriously.

That was my first thought when I read that **Alan "libertarian/objectivist-philosopher-Ayn-Rand-was-my-best-friend" Greenspan said that nationalizing the banks was inevitable.**



And not in his trademark fog of words style either. The former Federal Reserve Chairman, well known for impenetrable vagueness during his tenure, came right out and [said it](#) as plainly as a man ordering a hotdog at a baseball game:

"It may be necessary to temporarily nationalize some banks in order to facilitate a swift and orderly restructuring."

Greenspan? Nationalize banks? Necessary? What else could it be *but* aliens, I thought.

But why should we find it so weird that he changed his mind? **After all, isn't that what intelligent, rational adults do when presented with new information?** Maybe. We just don't seem to find all that many people in public life who fit the description.

Our folklore of certainty

In general, we don't like people who change their minds. **We don't celebrate the great mind changers through the ages ("Give me liberty or give me something else");** we don't even know who they are.

Can you think of an historical figure, political icon or Hollywood hero who isn't steadfast in his resolve, overcoming every obstacle that stands in his way through a combination of guile and tenacity?



Look at the derision that greeted New York Governor Paterson's on-again, off-again process for the choosing of a Senator. Or consider how quickly the term "flip-flopper" is tossed at any public figure who shows a readiness to modify a previous position. No, in our culture, changing your mind is tantamount to weakness.

But stubbornness in the face of contrary evidence is an Achilles heel, particularly in business and investing.

For proof, we need look no further than the reality TV series, **Gordon "Bleeping" Ramsay's [Kitchen Nightmares](#)**, in which Scottish restaurateur Ramsay parachutes into failing restaurants with the goal of turning the place around. The results are typically shocking.

Despite Ramsay's clear, simple, experience-based suggestions (one of which invariably includes telling the owners to "grow a pair of bollocks"), **the folks in charge are uniformly unable to change their minds about how best to run the business.** Their mortgages are going unpaid, their net worth is dropping like a rock and their marriages are crumbling. But they stubbornly press on just as before, even when facts suggest otherwise, until Ramsay breaks through their wall of denial.

A flexible mind coupled with a strong stomach

In the world of finance, it's in the sell decision (or lack thereof) that we as money managers reveal the tug of war between belief and reason. Although we live and die in a place where facts and calculations are supposed to drive decisions, human nature often trumps evidence.

To be clear, I'm not talking about being unable to *make up* your mind. This is not about mere indecision. I'm talking about doing a flat-out, 180- degree about-face, brought about by the presentation of contrary information. (Can you remember the last time you did this?)

In our quarterly reports to clients we spell out what we've bought and what we've sold ... and *why*. It's risky, because in this line of work you're going to be wrong a lot of time, something that's not always easy to admit. But the key is to be right more often than wrong; to win big and lose small.

So we take quarterly victory laps on holdings sold at a tidy profit, and endure public shamings when we have to confess to taking a hit in a stock. Sometimes one of the risks we list at purchase subsequently rises up like Jaws and bites us.



Worse yet, sometimes some risk we hadn't even thought of accomplishes the same thing. Sometimes we win big through brilliant analysis, and sometimes we win big through some unanticipated or unanalyzable bonanza. Change cycles very fast in small-cap companies, and as the information evolves, so too must our decision-making.

As organizational expert Robert Sutton [observed](#), you want your money manager to have "strong opinions, weakly held." A strong stomach when the facts support you (averaging down in a stock), but a lack of stubbornness and investment ego when they don't (selling a losing position).

In our experience, changing your mind beats obstinately losing a lot of money, every time. Because when that happens, you just may find yourself *wishing* you'd been abducted by aliens.

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