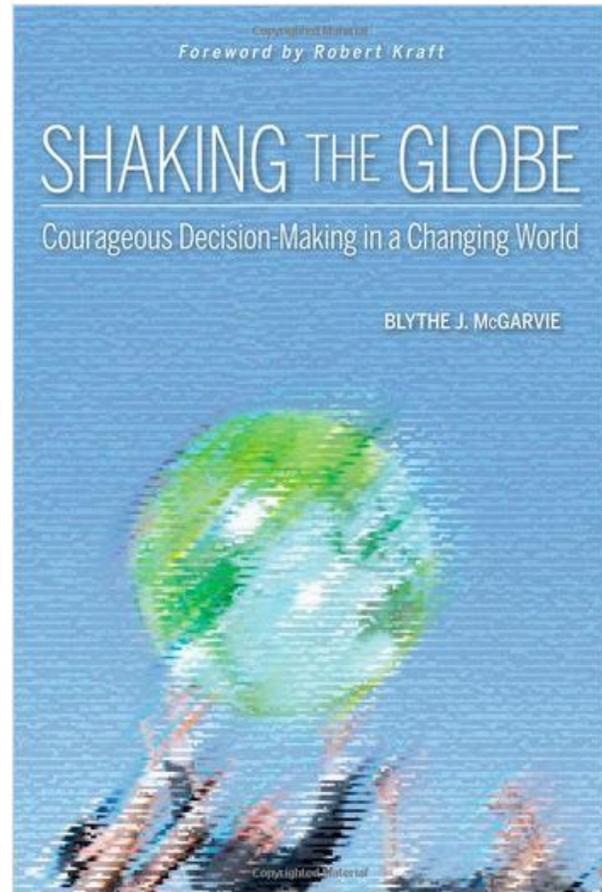


Optimism or Overconfidence

By Blythe McGarvie

A friend recently read **Shaking the Globe** and told me how my analysis predicted what is happening now. This year, 2019, marks the tenth anniversary of publishing the book. So, I would like to recognize the anniversary to answer what some participants during recent speaking engagements ask: what is the “new normal” in the economy. Others wonder how he or she can return to and keep prosperity as the political news seems overwhelming. It struck me that the questioners are wondering when the situation will become brighter and where to look for hope. I am an optimist, not because I want to be happy but because I find that difficult times reveal great opportunities for living our core values and knowing what is truly important. I think it is also important to make a distinction between optimism and overconfidence.



One of the most significant books in forming my optimistic attitude over is Viktor Frankl's *Man's Search for Meaning*. I first read this book about 25 years ago and recently re-read it. Viktor Frankl lived in Vienna and had a chance to escape Nazi Germany when the American Consulate granted him a visa for immigration. He decided to let the visa lapse because he believed his duty was to stay with his elderly parents, who most certainly would be facing a concentration camp. He chose to stay, lost his family, was confined in a concentration camp, survived and later wrote this book about the experiences. His Auschwitz experience reinforced what was already one of his key ideas: “Life is not primarily a quest for pleasure, as Freud believed, or a quest for power, as Alfred Adler taught, but a quest for meaning. The greatest task for any person is to find meaning in his or

her life. Frankl saw three possible sources for meaning: in work (doing something significant), in love (caring for another person) and in courage during difficult times”.

He wrote about a time he gave an impromptu talk at the camp to his comrades and said, “...human life, under any circumstances, never ceases to have a meaning, and that this infinite meaning of life includes suffering and dying, privation and death. I asked the poor creatures who listened to me attentively in the darkness of the hut to face up to the seriousness of our position. They must not lose hope but should keep their courage in the certainty that the hopelessness of our struggle did not detract from its dignity and its meaning... The purpose of my words was to find a full meaning in our life, then and there, in that hut and in that practically hopeless situation.”

We can control our reactions to a situation, even when we can't control the conditions. Knowing our purpose fosters perspective and helps us understand the “new normal”. The new normal is that we will be bombarded with lots of data and trivial analysis every day if we over-expose ourselves to the media barrage. On average, Americans watch 4 hours of TV a day. The media blitz is not limited to a TV; it may come from a computer or a mobile device. Each offers information, not understanding. One of the effects of over-stimulation or hearing the same news over and over is that we develop a distorted perspective. This can lead to fear, or the opposite, overconfidence. Studies in organizational development are starting to show that the main driver for becoming an entrepreneur is a self-assessment of one's skills, knowledge and ability. In a study across 18 countries, the correlation shows the higher the overconfidence in starting a business, the higher the failure.)

Overconfidence can be discerned by patterns and brain research. A study titled *Boys Will Be Boys: Gender, Overconfidence and Common Stock Investment* cited in the [New York Times](#) “analyzed the investing behavior of more than 35,000 households using a large discount brokerage firm. All else being equal, men traded stocks nearly 50% more often than women. This additional trading drove up the men's costs and lowered their returns.” The importance of these studies to me is not that men are more prone to overconfidence than women, but that overconfidence leads to failure: it promotes unreasonable and self-destructive behaviors.

Optimism is an attitude. Overconfidence is an error in calculating statistical probabilities. As you think about optimism, understand your personal meaning in life. Confidence derives from understanding. And beware of overlooking the facts and probabilities.