

## The Essentia Reading List

### **A Short History of Financial Euphoria - Galbraith**

Reviews the major speculative episodes of the last three centuries - from the 17th century tulip craze to the calamitous junk-bond follies of the 1980's. Insights provide important lessons on speculative economics.

### **Advances in Behavioral Economics - Camerer, Loewenstein & Rabin**

One-volume resource for those who want to familiarize themselves with the new field or keep up to date with the latest developments.

### **An Introduction to Behavioral Economics - Wilkinson**

Suitable not only as an introductory text, but also as an entry-point for those desiring an engaging overview of the field of Behavioural Economics.

### **Animal Spirits: How Human Psychology Drives the Economy, and Why it Matters for Global Capitalism - Akelof**

Reasserts the necessity of an active government role in economic policy-making by recovering the idea of animal spirits, a term John Maynard Keynes used to describe the gloom and despondence that led to the Great Depression and the changing psychology that accompanied recovery. Reviews how managing these animal spirits requires the steady hand of government-simply allowing markets to work won't do it.

### **Antifragile - Taleb**

Just as human bones get stronger when subjected to stress and tension, and rumors or riots intensify when someone tries to repress them, many things in life benefit from stress, disorder, volatility, and turmoil. What Taleb has identified and calls "antifragile" is that category of things that not only gain from chaos but need it in order to survive and flourish.

### **Behavioral Economics and its Applications**

#### **- Diamond & Vartiainen**

In this volume, some of the world's leading thinkers in behavioral economics and general economic theory make the case for a much greater use of behavioral ideas in six fields where these ideas have already proved useful but have not yet been fully incorporated-public economics, development, law and economics, health, wage determination, and organizational economics.

### **Behavioral Finance - Forbes**

Lays out the fundamentals of Behavioral Finance.

### **Behavioral Finance: Investors, Corporations & Markets - Baker and Nofsinger**

A compilation of chapters by academics and researchers that puts Behavioral Finance into perspective by detailing the current state of research in the area. Offers practical guidance on the application to real-world situations.



Don't see your favorite behavioral science title or author here? Send it to us at [info@essentia-analytics.com](mailto:info@essentia-analytics.com) for inclusion in our next reading list update!

**Behavioural Finance: Insights into Irrational Minds and Markets - Montier**

An excellent introduction to the concepts and practical applications of Behavioral Finance.

**Behavioral Game Theory: Experiments in Strategic Interaction - Camerer**

Uses psychological principles and hundreds of experiments to develop mathematical theories of reciprocity, limited strategizing, and learning, which help predict what real people and companies do in strategic situations. Unifying a wealth of information from ongoing studies in strategic behavior, he takes the experimental science of behavioral economics a major step forward.

**Behavioral Investing: A Practitioner's Guide to Applying Behavioural Finance - Montier**

A compilation of Montier's best essays on the application of Behavioral Finance to professional fund management. An important read for any fund manager.

**Behavioral Risk Management: Managing the Psychology that Drives Decisions and Influences Operational Risk - Shefrin**

Professor Shefrin is one of behavioral finance's pioneers. In this book he argues that the most important risk management disasters of the new millennium all have psychological pitfalls at their root. The examples he gives illustrate a series of do's and don'ts for addressing psychological issues in risk management.

**Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing - Shefrin**

An entertaining, yet scholarly overview of the subject of Behavioral Finance.

**Born Liars: Why We Can't Live Without Deceit - Leslie**

Brings the latest news about deception back from the frontiers of psychology, neuroscience, and philosophy, and explores the role played by lies - both black and white - in our childhoods, our careers, and our health, as well as in advertising, politics, sport and war.

**Breakdown of Will - Ainslie**

Argues that our responses to the threat of our own inconsistency determine the basic fabric of human culture. Suggests that individuals are more like populations of bargaining agents than like the hierarchical command structures envisaged by cognitive psychologists.

**The Checklist Manifesto: How to Get Things Right - Gawande**

Gawande makes the case that checklists can help us manage the extreme and increasing complexities of the modern world. He explains how checklists actually work to prompt striking and immediate improvements, and he follows the checklist revolution into different fields including investment banking.

**Choices, Values, and Frames - Kahneman & Tversky**

Presents an empirical and theoretical challenge to classical utility theory, offering prospect theory as an alternative framework. Extensions and applications to diverse economic phenomena and to studies of consumer behaviour are discussed. Also elaborates on framing effects and other demonstrations that preferences are constructed in context, and develops new approaches to the standard view of choice-based utility.

**Devil Take the Hindmost: A History of Financial Speculation - Chancellor**

A light but informative read focusing on speculation as it developed in the world's leading stock

markets, the story starts with the tulip mania in seventeenth-century Holland, then moves to Britain with accounts of speculative manias such as the South Sea Bubble and the Railway Mania.

#### **Discover Your Inner Economist - Cowen**

Offers idiosyncratic strategies for appreciating museum art, for building family trust and cooperation, for writing a personal ad, for reading classic novels that seem boring on first inspection, for surviving torture, for properly practicing self-deception and for most effectively giving to beggars in Calcutta.

#### **Economics and Psychology: A Promising New Cross-Disciplinary Field - Frey & Stutzer**

Takes a broad view of the interface between these two disciplines, going beyond the usual focus on "Behavioral Economics." The influence of psychology on economics has been responsible for a view of human behavior that calls into question the assumption of complete rationality (and raises the possibility of altruistic acts), the acceptance of experiments as a valid method of economic research, and the idea that utility or well-being can be measured.

#### **Everything Is Obvious: \*Once You Know the Answer - Duncan Watts**

The explanations that we give for the outcomes that we observe in life-explanations that seem obvious once we know the answer are less useful than they seem. Shows how common sense reasoning and history conspire to mislead us into thinking that we understand more about the world of human behavior than we do; and in turn, why attempts to predict, manage, or manipulate social and economic systems so often go awry.

#### **Exotic Preferences: Behavioral Economics and Human Motivation - Loewenstein**

Brings together a selection of papers focusing on "exotic preferences" - the disparate motives that drive human behavior. In addition to covering the history and methodology of behavioral economics, they also touch on a wide range of fascinating topics such as the motives that drive extreme athletes, our propensity to want to get unpleasant experiences out of the way so we can focus on the more pleasant, and the psychology of curiosity.

#### **Explaining Social Behavior: More Nuts and Bolts for the Social Sciences - Elster**

Offers an overview of key explanatory mechanisms in the social sciences, relying on hundreds of examples and drawing on a large variety of sources-psychology, behavioral economics, biology, political science, historical writings, philosophy and fiction.

#### **Financial Speculation - Trading Financial Biases and Behaviours - Ashley**

Draws on a wealth of revealing and instructive market insights, stories and anecdotes, challenges all the tired clichés about speculation, and slaughters many of the outdated sacred cows of finance. The book ranges across all the major asset classes, looks at past masters of the art, examines modern thinking on finance and risk, and assesses the value of experts, economists, chartists, market gurus and analysts.

#### **Fooled by Randomness - Taleb**

A fund manager favourite. Sets forth the idea that modern humans are often unaware of the existence of randomness. They tend to explain random outcomes as non-random. Human beings overestimate causality and tend to view the world as more explainable than it really is, so they look for explanations even when there are none.

**Freakonomics: A Rogue Economist Explores the Hidden Side of Everything - Levitt & Dubner**

A collection of articles written by Levitt, an expert who has already gained a reputation for applying economic theory to diverse subjects not usually covered by "traditional" economists; he does, however, accept the standard neoclassical microeconomic model of rational utility-maximization. In Freakonomics, Levitt and Dubner argue that economics is, at root, the study of incentives.

**Heuristics and Biases: The Psychology of Intuitive Judgement - Gilovich, Griffin & Kahneman**

When are people's judgments prone to bias, and what is responsible for their biases? This book compiles psychologists' best attempts to answer these important questions.

**Identity Economics: How Our Identities Shape Our Work, Wages, and Well-Being - Akerlof & Kranton**

Monetary incentives are counter-productive in team environments that succeed in creating a culture of identity that fosters teamwork, where mission understanding and commitment are core to performance.

**Inside the Investor's Brain - Peterson**

Explains the "hardwired" mistakes made by most investors and reveals the simple steps you can take to overcome these obstacles and improve your financial decision-making skills.

**Influence: The Psychology of Persuasion - Cialdini**

Introduces you to six principles of ethical persuasion: reciprocity, scarcity, liking, authority, social proof, and commitment/consistency. A chapter is devoted to each and you quickly see why Cialdini looks at influence as a science. Each principle is backed by social scientific testing and restesting. Each chapter is also filled with interesting examples that help you see how each principle can be applied.

**Judgement in Managerial Decision Making - Bazerman**

When faced with a decision, we all believe we're weighing the facts objectively and making rational, thoughtful decisions. In fact, science tells us that in situations requiring careful judgment, every individual is influenced by his or her own biases to some extent. Drawing on the very latest behavioral decision research this book examines judgment in a variety of managerial contexts and provides important insights that can help you make better managerial decisions.

**Judgement Under Uncertainty: Heuristics and Biases - Kahneman, Slovic & Tversky**

An important collection of papers, with relevance to anyone working in fields where decision-making is at the core.

**Liar's Poker: Rising through the Wreckage on Wall Street - Lewis**

A non-fiction, semi-autobiographical book by Michael Lewis describing the author's experiences as a bond salesman on Wall Street during the late 1980's.

**Manias, Panics, and Crashes - Kindleberger and Aliber**

An engaging and entertaining account of the way that mismanagement of money and credit has led to financial explosions over the centuries. Covering such topics as the history and anatomy of crises, speculative manias, and the lender of last resort, this book puts the turbulence of the financial world in perspective.

### **Market Mind Games: A Radical Psychology of Investing, Trading and Risk - Shull**

Provides a pragmatic approach to develop a strategy for your mind to work in harmony with your strategy for trading, enabling you to improve your decision making by navigating the shifting relationships among reason, analysis, emotion, and intuition.

### **Market Psych - Peterson & Murtha**

Assists investors in understanding their personality styles, emotional triggers, values and assumptions, and reveals how to invest comfortably with in your newfound investor identity.

### **Mistakes Were Made (but Not by Me): Why We Justify Foolish Beliefs, Bad Decisions and Hurtful Acts - Tavris & Aronson**

Two distinguished psychologists look at the role of self-justification in human life, explaining how and why we create fictions that absolve us of responsibility and restore our belief in our intelligence, moral rectitude, and correctness. They assess the potential repercussions of such courses of action and reveal how they can be overcome.

### **Moneyball: The Art of Winning an Unfair Game - Lewis**

The collected wisdom of baseball insiders (including players, managers, coaches, scouts, and the front office) over the past century is subjective and often flawed. Statistics such as stolen bases, runs batted in, and batting average, typically used to gauge players, are relics of a 19th-century view of the game and the statistics that were available at the time. The book argues that the Oakland A's' front office took advantage of more analytical gauges of player performance to field a team that could compete successfully against richer competitors in Major League Baseball. Brad Pitt and Jonah Hill were nominated for Oscars for their roles in the movie version, but lost. Begs the question of whether the movie business runs similar stats.

### **Morals and Markets: an Evolutionary Account of the Modern World - Friedman**

Demonstrates that our moral codes and our market systems-while often in conflict-are really devices evolved to achieve similar ends, and that society functions best when morals and markets are in balance with each other.

### **Moral Markets : the Critical Role of Values in the Economy - Zak**

This collection of essays provides an accessible guided tour of the frontier of current research in sociology, economics, biology and philosophy.

### **Moral Sentiments and Material Interests: the Foundations of Cooperation in Economic Life - Gintis**

Presents an innovative synthesis of research in different disciplines to argue that cooperation stems not from the stereotypical selfish agent acting out of disguised self-interest but from the presence of "strong reciprocators" in a social group. Presenting an overview of research in economics, anthropology, evolutionary and human biology, social psychology, and sociology, the book deals with both the theoretical foundations and the policy implications of this explanation for cooperation.

### **More Than You Know: Finding Financial Wisdom in Unconventional Places - Mauboussin**

Builds on the ideas of visionaries, including Warren Buffett and E. O. Wilson, but also finds wisdom in a broad and deep range of fields, such as casino gambling, horse racing, psychology, and evolutionary biology. He analyzes the strategies of poker experts David Sklansky and Puggy Pearson and pinpoints parallels between mate selection in guppies and stock market booms.

### **Nudge: Improving Decisions about Health, Wealth, and Happiness - Thaler & Sunstein**

We are all susceptible to biases that can lead us to make bad decisions that make us poorer, less healthy and less happy. And, as Thaler and Sunstein show, no choice is ever presented to us in a neutral way. By knowing how people think, we can make it easier for them to choose what is best for them, their families and society. Using dozens of eye-opening examples the authors demonstrate how to nudge us in the right directions, without restricting our freedom of choice. Nudge offers a unique new way of looking at the world for individuals and governments alike.

### **Predictably Irrational: the Hidden Forces that Shape our Decisions - Ariely**

Ariely explains how expectations, emotions, social norms, and other invisible, seemingly illogical forces skew our reasoning abilities. Not only do we make astonishingly simple mistakes every day, but we make the same types of mistakes. We consistently overpay, underestimate, and procrastinate. We fail to understand the profound effects of our emotions on what we want, and we overvalue what we already own.

### **Priceless: The Myth of Fair Value (and How to Take Advantage of It) - Poundstone**

Reveals how we perceive value and how businesses apply the principles of Behavioural Economics in setting the prices we pay.

### **Prospect Theory: For Risk and Ambiguity - Wakker**

Risks and uncertainties play a role in virtually all of our decisions. This book presents modern models that are both realistic and tractable. All mathematical tools are related to real-life processes.

### **Rational Decisions - Binmore**

A concise, accessible, and expert view on Bayesian decision making.

### **Strangers to Ourselves: Discovering the Adaptive Unconscious - Wilson**

Attempts to explain why there's so much about ourselves that we fail to understand, which can lead to misdirected anger.

### **Subliminal: How Your Unconscious Mind Rules Your Behavior - Mlodinow**

Over the past two decades of neurological research, it has become increasingly clear that the way we experience the world—our perception, behavior, memory, and social judgment—is largely driven by the mind's subliminal processes and not by the conscious ones, as we have long believed.

### **Sway: The Irresistible Pull of Irrational Behaviour - Brafman**

What makes people act irrationally? This book explores the submerged mental drives that undermine rational action, from the desire to avoid loss to a failure to consider all the evidence or to perceive a person or situation beyond the initial impression and the reluctance to alter a plan that isn't working.

### **The Behavior Gap: Simple Ways to Stop Doing Dumb Things With Money - Richards**

How to rethink all kinds of situations where your perfectly natural instincts (for safety or success) can cost you money and peace of mind. Avoid the tendency to buy high and sell low; avoid the pitfalls of generic financial advice; invest all of your assets - time and energy as well as savings - more wisely; quit spending money and time on things that don't matter, etc.

### **The Big Short: Inside the Doomsday Machine - Lewis**

About the build-up of the housing and credit bubble during the 2000's. Describes several of the key

players in the creation of the credit default swap market that sought to bet against the collateralized debt obligation (CDO) bubble and thus ended up profiting from the financial crisis of 2007–2010. Also highlights the eccentric nature of the type of person who bets against the market or goes against the grain.

### **The Black Swan: The Impact of the Highly Improbable - Taleb**

Focuses on the extreme impact of certain kinds of rare and unpredictable events (outliers) and humans' tendency to find simplistic explanations for these events retrospectively. This theory has since become known as the black swan theory.

### **The Bounds of Reason: Game Theory and the Unification of the Behavioral Sciences - Gintis**

Game theory alone cannot fully explain human behavior and should instead complement other key concepts championed by the behavioral disciplines. Shows that just as game theory without broader social theory is merely technical bravado, so social theory without game theory is a handicapped enterprise.

### **The Construction of Preference - Lichtenstein & Slovic**

When asked to make a decision, people often don't really know what they want; they must construct their preferences 'on the spot'. This book describes the concept of preference construction, tracing the blossoming of this idea within psychology, economics, marketing, law, and environmental policy.

### **Emotional Intelligence: Why it Can Matter More Than IQ - Goleman**

Our view of intelligence is quite narrow and ignores important abilities that determine how well we do in life. Goleman challenges this view of what it means to be intelligent and offers a series of insights that help us increase our level of emotional intelligence, and look with fresh eyes at matters such as self-control, the ability to motivate oneself, zeal and persistence.

### **Essentialism: The Disciplined Pursuit of Less - McKeown**

There are far more activities and opportunities in the world than we have the time and resources to invest in. Only when you give yourself permission to stop trying to do it all, can you make your highest contribution towards the things that really matter. McKeown offers both a manifesto and a manual on how to focus deliberately on the vital few priorities that really count.

### **The Foundation of Behavioural Finance - DeBondt**

A compilation of groundbreaking articles from leading voices in the financial and psychological communities to create a volume that introduces this emerging field of study. An accessible and insightful text that explores the real-world behavior of individuals and institutions.

### **The Handbook of Experimental Economics - Kagel & Roth**

Presents a comprehensive critical survey of the results and methods of laboratory experiments in economics. Focus is on elucidating the role of experimental studies as a progressive research tool so that wherever possible, emphasis is on series of experiments that build on one another.

### **The Hour Between the Dog and Wolf- John Coates**

Explains how we think with our bodies as well as our brains when we take risks at work, in sport, on the battlefield, and the financial markets. Shows that under the pressure of risk, we biologically transform, a metamorphosis Coates refers to as the hour between dog and wolf. Traders are especially prone; testosterone-driven when winning, tentative when cowering from losses.

**The Inner World of Money: Taking Control of Your Financial Decisions and Behaviors - Martin**

A look at the inner world of people and their relationships with and beliefs about money. Explores the real role of money in our lives, the reasons for the roadblocks people create by being financially irresponsible, and whether money really can bring happiness.

**The Little Book of Behavioral Investing: How Not to be Your Own Worst Enemy - Montier**

Enables you to identify and eliminate behavioral traits that can hinder your investment endeavors and show you how to go about achieving superior returns in the process.

**The Methodology of Experimental Economics - Guala**

Provides the first comprehensive analysis and critical discussion of the methodology of experimental economics, written by a philosopher of science with expertise in the field.

**Mindset: How You Can Fulfil Your Potential - Dweck**

It's not just our talent and abilities that bring us success, but whether we approach them with a fixed or growth mindset. In a growth mindset, people believe that their most basic abilities can be constantly developed through hard work and dedication, instead of considering them as fixed traits. This view creates a love of learning and resilience that are essential for great accomplishment in every discipline.

**The Misbehavior of Markets: A Fractal View of Financial Turbulence - Mandelbrot**

Markets, we learn, are far riskier than we have wanted to believe. From the gyrations of IBM's stock price and the Dow, to cotton trading, and the dollar-Euro exchange rate--Mandelbrot shows that the world of finance can be understood in more accurate, and volatile, terms than the tired theories of yesteryear.

**The Paradox of Choice: Why More Is Less - Schwartz**

We are faced with far too many choices on a daily basis, providing an illusion of a multitude of options when few honestly different ones actually exist.

**Peak: Secrets from the New Science of Expertise - Ericsson & Pool**

Talent is made, not born. Peak presents the reader with a powerful approach to learning and mastering new skills, and shows that what separates "gifted" people from the rest of us isn't innate talent but simply dedicated, purposeful practice. We all have the seeds of excellence within us; we just need to take a deliberate approach to nurturing it.

**The Person and the Situation: Perspectives of Social Psychology - Nisbett, Ross & Gladwell**

Explores the complex ideas about personal versus situational determinants of behavior and relates the lessons of our discipline to important political, social, and even philosophical issues.

**The Power of Fifty Bits: The New Science of Turning Good Intentions into Positive Results - Nease**

Of the ten million bits of information our brains process each second, only fifty are devoted to conscious thought. Nease and his team use this insight to propose a range of processes and programs (for marketers, health companies, HR departments, and even parents) that can be used to help capture those fifty bits of awareness and change people's behavior.

**The Psychology of Investing - Nicholson**

Traditional finance has focused on developing the tools that investors use to optimize expected return and risk. Understanding the motivations behind this behavior is extremely important when applying these financial tools.

### **The Psychology of the Foreign Exchange Market - Oberlechner**

Sheds light on the psychology behind spectacular market phenomena as well as on subliminal processes in daily trading decisions. Incorporates new insights from a variety of psychological perspectives – ranging from social market dynamics; the role of affects and intuition in trading decisions; cognitive biases of traders; psychological risk-taking phenomena; subjective attitudes in market expectations; the interdependent relationship between trading institutions and the financial news media; the dynamics of market rumors, and personality characteristics of successful traders; to the role of metaphors in the decisions of participants and the nature of the market.

### **Risk Savvy: How to Make Good Decisions - Gigerenzer**

Numbers may not lie, but they are certainly often misunderstood. Gigerenzer uses easy to understand statistical analyses to show that people make bad decisions because they misunderstand risk. With insights based on psychology, sociology and maths, this book is a remedy to our collective information overload and a guide to making smart and confident decisions in the face of uncertainty.

### **The Social Animal: A Story of How Success Happens - Brooks**

Weaves a vast array of new research into the lives of two fictional characters, Harold and Erica, following them from infancy to old age. In so doing, it reveals a fundamental new understanding of human nature. Most success stories are explained at the surface level of life. They describe academic ability, hard work and learning the right techniques to get ahead. This story – the story of Harold and Erica – is told one level down, at the level of emotions, intuitions, biases, genetic predispositions and deep inner longings. The result is a new definition of success, highlighting what economists call non-cognitive skills – those hidden qualities that can't be easily counted or measured, but which in real life lead to happiness and fulfilment.

### **Smarter Faster Better: The Secrets of Being Productive in Life and Business - Duhigg**

Duhigg explores the science of productivity, and why managing how you think is more important than what you think. The author focuses in eight key productivity concepts that explain how highly productive people view the world and their choices, how anyone can learn to succeed with less struggle, and how to get more done without sacrificing what we care about the most.

### **The Spirit of Kaizen: Creating Life Excellence One Small Step at a Time - Naurer**

Kaizen means “change for better”. Maurer offers guidance on implementing small, incremental steps that can have a big impact in reaching your goals. Kaizen is more than a world-class management practice; it is a technique that starts with awareness and desire in our minds, and leads to actions and changes that can be lasting and powerful.

### **The Success Equation: Untangling Skill and Luck in Business, Sports and Investing - Mauboussin**

An excellent explanation of the distinction between luck and skill in a variety of activities and a practical approach to maximising the latter. By explaining it in the context of sports, Mauboussin shows the common sense aspect to applying process, discipline and self-awareness to investing.

### **Superforecasting: The Art and Science of Prediction - Tetlock & Gardner**

In Superforecasting, Tetlock and Gardner show that some people are much better at forecasting than others, and most importantly, that predicting the future is not a divine gift but a skill that can be practised and improved. The book gives advice on how to overcome our biases and become a Superforecaster.

### **Think Twice: Harnessing the Power of Counterintuition - Mauboussin**

Shows you how to recognize-and avoid-common mental missteps, including: Misunderstanding cause-and-effect linkages; Aggregating micro-level behavior to predict macro-level behavior; Not considering enough alternative possibilities in making a decision; Relying too much on experts.

### **Thinking and Deciding - Baron**

How should we think? What, if anything, keeps us from thinking that way? How can we improve our thinking and decision making? Addresses these questions, as well as topics such as risk, utilitarianism, Bayes' theorem, and moral thinking.

### **Thinking, Fast and Slow - Kahneman**

Explains the two systems that drive the way we think. System 1 is fast, intuitive, and emotional; System 2 is slower, more deliberative, and more logical. Kahneman exposes the extraordinary capabilities – and also the faults and biases – of fast thinking, and reveals the pervasive influence of intuitive impressions on our thoughts and behavior. The impact of loss aversion and overconfidence on corporate strategies, the difficulties of predicting what will make us happy in the future, the challenges of properly framing risks at work and at home, the profound effect of cognitive biases on everything from playing the stock market to planning the next vacation – each of these can be understood only by knowing how the two systems work together to shape our judgments and decisions.

### **Ulysses and the Sirens: Studies in Rationality and Irrationality - Elster**

Elster critiques the notion of rationality in the economist's sense, as a faculty that is concerned with maximizing the satisfaction of agents' present preferences. He contrasts this notion of locally maximizing rationality with what can be called globally maximizing rationality. This latter concept is perhaps best illustrated by those interesting situations where the best "strategy" is irrationality.

### **Ulysses Unbound: Studies in Rationality, Precommitment, and Constraints - Elster**

This provocative book argues that, very often, people may benefit from being constrained in their options or from being ignorant.

### **Utility of Gains and Losses: Measurement-Theoretical and Experimental Approaches - Luce**

Provides a penetrating analysis of the axioms underlying human choice theory and a thorough review of the evidence. Most importantly, he illustrates the process of decomposing theories into testable properties that become the building blocks for better theories. His relentless desire to reformulate theories in response to evidence is what makes this an extraordinary book by an extraordinary scientist.

### **Value Investing: Tools and Techniques for Intelligent Investment - Montier**

Explains how value investing is the only tried and tested method of delivering sustainable long-term returns. James shows you why everything you learnt at business school is wrong; how to think properly about valuation and risk; how to avoid the dangers of growth investing; how to be a contrarian; how to short stocks; how to avoid value traps; how to hedge ignorance using cheap insurance. Crucially, he also gives real time examples of the principles outlined in the context of the 2008/09 financial crisis.

### **What Investors Really Want: Know What Drives Investor Behavior and Make Smarter Financial Decisions - Statman**

Through compelling anecdotes and rigorous academic research, Statman covers a wide range of

general and specific topics, from how investors attach meaning to their money in the US, and in other cultures around the world to the common cognitive errors that befall many investors. This is the book that teaches investors to recognize the hidden reasons why they choose certain stocks, bonds, ETFs and other financial products—and how to make the right decisions with their money.

### **Why Smart People Make Big Money Mistakes - Belsky & Gilovich**

Reveals the psychological forces – the patterns of thinking and decision making – behind seemingly irrational behavior. Explains why so many otherwise savvy people make foolish financial choices: why investors are too quick to sell winning stocks and too slow to sell losing shares, why home sellers leave money on the table and home buyers don't get the biggest bang for their buck, why borrowers pay too much credit card interest and savers can't sock away as much as they'd like, and why so many of us can't control our spending.

### **You're Not That Great - Crosby**

An motivational look at how behavioural bias holds us back in day-to-day life, which suggests rules for successful living that are based on the pursuit of excellence rather than the assumption of it.

Visit [essentia-analytics.com](http://essentia-analytics.com) and see how Essentia's award-winning software is used by active investors to apply the lessons of behavioral science and improve investment performance.

Have a suggestion for our reading list? Please send it to us at [info@essentia-analytics.com](mailto:info@essentia-analytics.com) and we'll include it in our next update.