available to them at the time.

But that’s not what people do.

The economists found that people’s lifetime investment decisions are heavily anchored to the experiences those investors had in their own generation—especially experiences early in their adult life.

If you grew up when inflation was high, you invested less of your money in bonds later in life compared to those who grew up when inflation was low. If you happened to grow up when the stock market was strong, you invested more of your money in stocks later in life compared to those who grew up when stocks were weak.

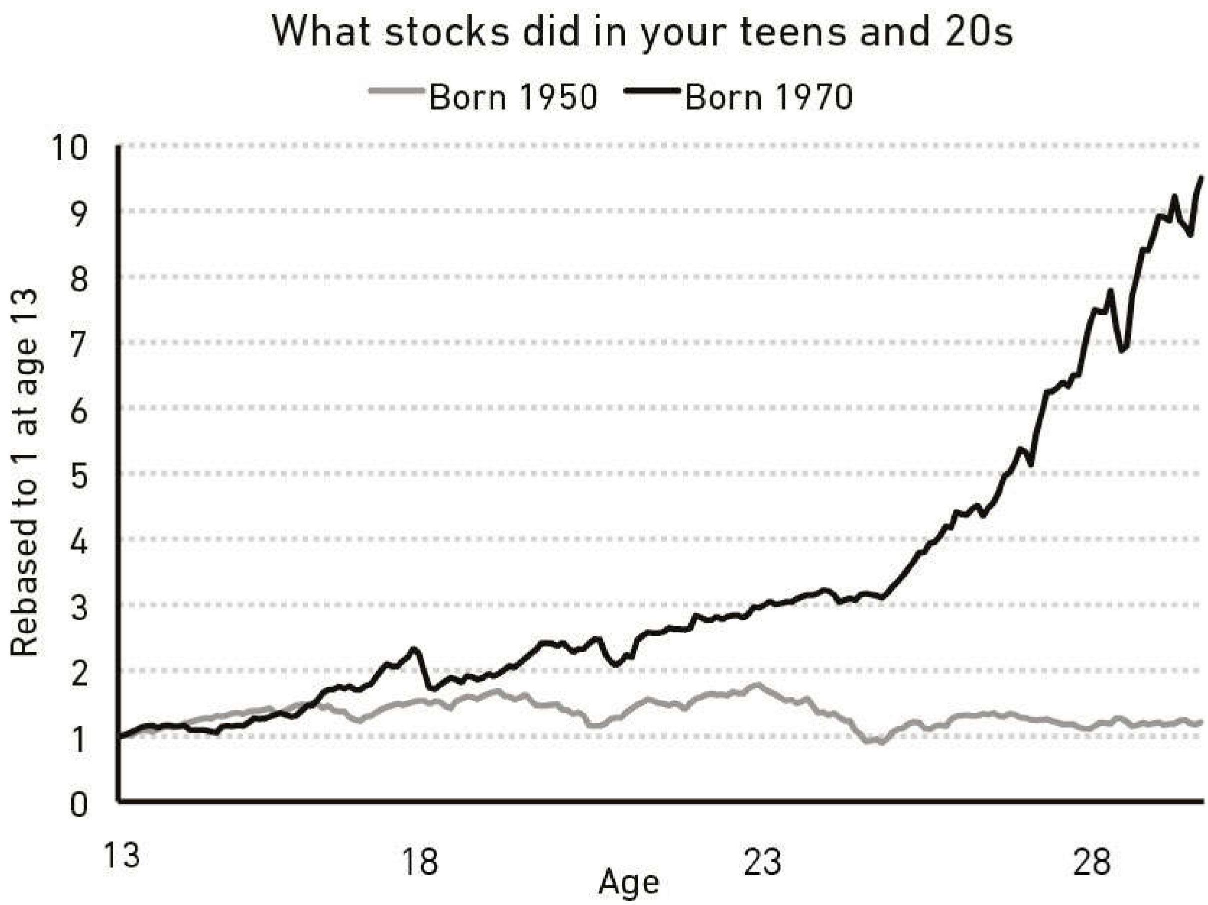
The economists wrote: “Our findings suggest that individual investors’ willingness to bear risk depends on personal history.”

Not intelligence, or education, or sophistication. Just the dumb luck of when and where you were born.

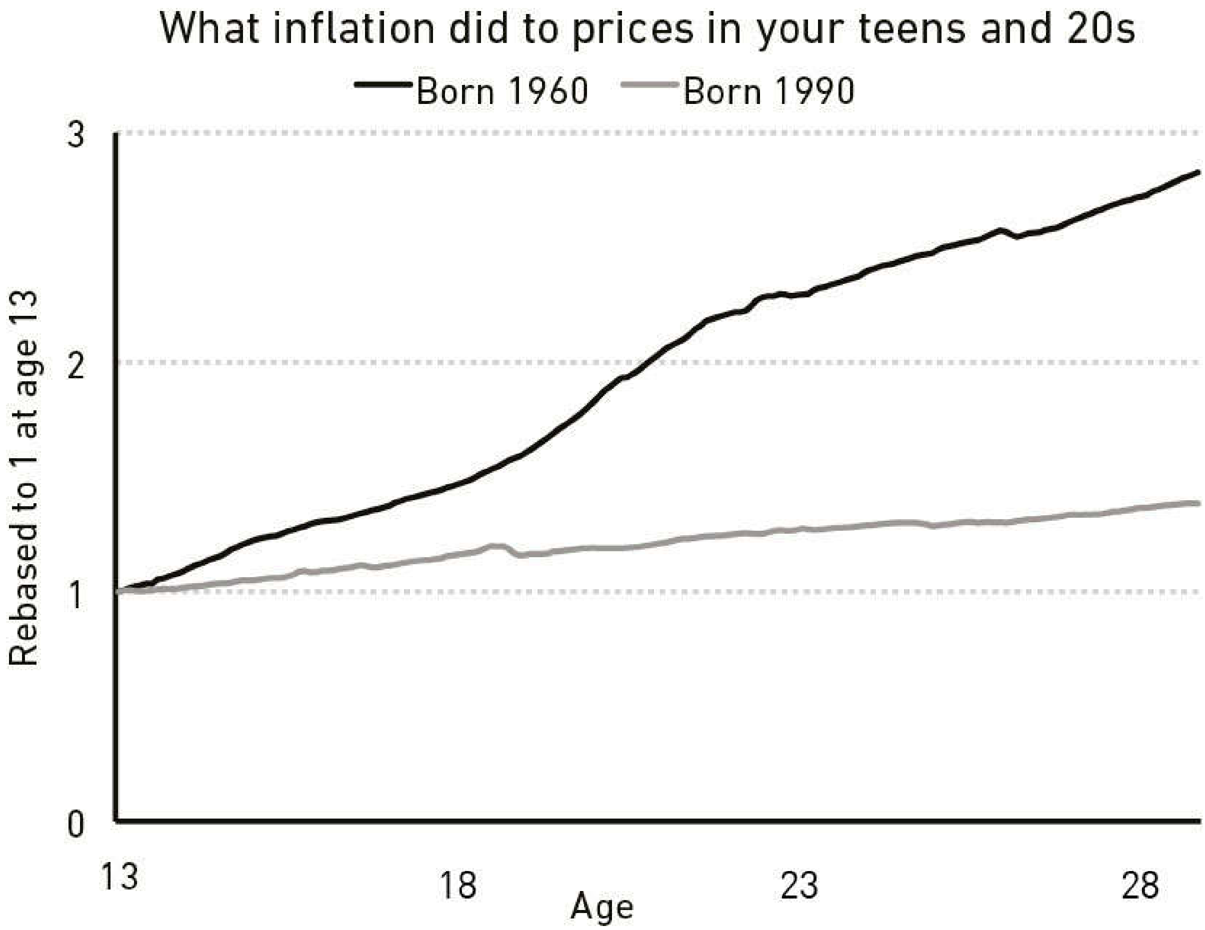
The Financial Times interviewed Bill Gross, the famed bond manager, in 2019. “Gross admits that he would probably not be where he is today if he had been born a decade earlier or later,” the piece said. Gross’s career coincided almost perfectly with a generational collapse in interest rates that gave bond prices a tailwind. That kind of thing doesn’t just affect the opportunities you come across; it affects what you think about those opportunities when they’re presented to you. To Gross, bonds were wealth-generating machines. To his father’s generation, who grew up with and endured higher inflation, they might be seen as wealth incinerators.

The differences in how people have experienced money are not small, even among those you might think are pretty similar.

Take stocks. If you were born in 1970, the S&P 500 increased almost 10-fold, adjusted for inflation, during your teens and 20s. That's an amazing return. If you were born in 1950, the market went literally nowhere in your teens and 20s adjusted for inflation. Two groups of people, separated by chance of their birth year, go through life with a completely different view on how the stock market works:



Or inflation. If you were born in 1960s America, inflation during your teens and 20s—your young, impressionable years when you're developing a base of knowledge about how the economy works—sent prices up more than threefold. That's a lot. You remember gas lines and getting paychecks that stretched noticeably less far than the ones before them. But if you were born in 1990, inflation has been so low for your whole life that it’s probably never crossed your mind.



America’s nationwide unemployment in November 2009 was around 10%. But the unemployment rate for African American males age 16 to 19 without a high school diploma was 49%. For Caucasian females over age 45 with a college degree, it was 4%.

Local stock markets in Germany and Japan were wiped out during World War II. Entire regions were bombed out. At the end of the war German farms only produced enough food to provide the country’s citizens with 1,000 calories a day. Compare that to the U.S., where the stock market more than doubled from 1941 through the end of 1945, and the economy was the strongest it had been in almost two decades.

No one should expect members of these groups to go through the rest of their lives thinking the same thing about inflation. Or the stock market. Or unemployment. Or money in general.

No one should expect them to respond to financial information the same way. No one should assume they are influenced by the same incentives.

No one should expect them to trust the same sources of advice.

No one should expect them to agree on what matters, what's worth it, what's likely to happen next, and what the best path forward is.

Their view of money was formed in different worlds. And when that's the case, a view about money that one group of people thinks is outrageous can make perfect sense to another.

A few years ago, The New York Times did a story on the working conditions of Foxconn, the massive Taiwanese electronics manufacturer. The conditions are often atrocious. Readers were rightly upset. But a fascinating response to the story came from the nephew of a Chinese worker, who wrote in the comment section:

My aunt worked several years in what Americans call "sweat shops." It was hard work. Long hours, "small" wage, "poor" working conditions. Do you know what my aunt did before she worked in one of these factories? She was a prostitute.

The idea of working in a "sweat shop" compared to that old lifestyle is an improvement, in my opinion. I know that my aunt would rather be "exploited" by an evil capitalist boss for a couple of dollars than have her body be exploited by several men for pennies.

That is why I am upset by many Americans' thinking. We do not have the same opportunities as the West. Our governmental infrastructure is different. The country is different. Yes, factory is hard labor. Could it be better? Yes, but only when you compare such to American jobs.

I don't know what to make of this. Part of me wants to argue, fiercely. Part of me wants to understand. But mostly it's an example of how different experiences can lead to vastly different views within topics that one side intuitively thinks should be black and white.

Every decision people make with money is justified by taking the information they have at the moment and plugging it into their unique mental model of how the world works.

Those people can be misinformed. They can have incomplete information. They can be bad at math. They can be persuaded by rotten marketing. They can have no idea what they're doing. They can misjudge the consequences of their actions. Oh, can they ever.

But every financial decision a person makes, makes sense to them in that moment and checks the boxes they need to check. They tell themselves a story about what they're doing and why they're doing it, and that story has been shaped by their own unique experiences.

Take a simple example: lottery tickets.

Americans spend more on them than movies, video games, music, sporting events, and books combined.

And who buys them? Mostly poor people.