

The Benefits of Being a Psychopath

“There was never a genius without a tincture of madness.” - Aristotle

People with brain damage may make better investment decisions.

That's the conclusion of a [study](#) from 2005 by a team of researchers who looked at the gambling habits of different subjects. They studied patients who had lesions in the emotional areas of their brains and compared the results to people with no brain damage.

Each participant was given \$20 to bet on a coin flip. If you were wrong on the heads or tails call you lost \$1 but if you were right you won \$2.50. Simple statistics would tell us that the expected gain from this game would be \$0.75 $((0.50 \times -\$1) + (0.50 \times \$2.50))$. You will never find those odds in a casino since the reward for being right is much bigger than the penalty for being wrong.

The simple decision here would be to bet every time. What actually happened is the people with fully functional brains began declining opportunities to bet as the game wore on because they wanted to hold onto their winnings. But the people without the emotional constraints in their brains just kept playing and came out with bigger gains.

One group of people who have few emotional constraints in their brains are psychopaths. When people think about psychopaths they are often described as being narcissistic, impulsive, manipulative, cold-hearted, pathological liars who lack a conscience.

These are traits of the worst of the worst in people like John Wayne Gacy or Jeffery Dahmer but like most mental disorders, psychopathy operates on a spectrum.

In his book, [The Wisdom of Psychopaths](#), Kevin Dutton lays out the benefits of functional psychopaths who can use it to make better decisions. He lists potentially positive characteristics psychopaths share such as being ruthless, focused, charming, mentally tough, fearless and mindful.

For example, it's estimated that one out of every five CEOs are psychopaths.

Researchers from the University of Surrey performed a psychological profiling test on three different groups -- business leaders, psychiatric patients, and hospitalized criminals. They found business leaders shared more common psychopathic traits with the psychiatric patients than the disturbed criminals did. Criminals just had higher levels of impulsiveness and physical aggression.

The attributes of psychopaths can be found in many high-functioning professionals.

The best medical professionals are able to detach themselves from the human element of what they're doing to focus on the task at hand. Dutton interviewed a number of lawyers who freely admitted they were functioning psychopaths. One [study](#) of Swiss traders found that the behavior of certain stock brokers is more reckless than that of the typical psychopath.

I'm sure not all of these people are using these powers for the sake of good but there are places where an element of detachment comes in handy.

Research into the heart rates of the most decorated bomb disposal operatives showed that they don't merely stay constant during periods of high stress -- their heart rates actually go down. They are so laser focused and confident in their abilities that they became calmer as the heat gets turned up.

It's possible this level of calm is contagious, but based on another test, fear certainly is. Researchers took sweat samples from first-time skydivers as they hurtled towards the earth. The samples were then used to test the reaction other people would have to it when they smelled the fear-soaked sweat (I know, kind of gross).

Subjects were placed in an MRI machine to smell the sweat samples. They discovered the fear from the skydivers was actually transferred to these subjects as the parts of the brain that emit panic lit up on the MRI results. Emotional stress can be contagious which provides a nice explanation of the herd mentality.

For those of us who aren't functioning psychopaths, there are ways in which you can emulate some of the more useful qualities.

One way to do this is through what sports psychologists call a process goal. You focus on something minor to avoid getting caught up in the heat of the moment and allowing your emotions to take control.

In 2010, [Louis Oosthuizen](#) held a 4-shot lead heading into the final round of the British Open Golf Championship. He was little known and had never won a major so most experts assumed he would crack under the pressure. But he didn't. He credits his sports psychologist for helping him keep his composure. Oosthuizen placed a small red spot at the base of his thumb on his golf glove.

The goal was to focus his mind only on playing the shot at hand, rather than thinking through the consequences of his actions so every time he was about to take a swing he would look at that dot to calm down and focus his attention. In a way, he was channeling his inner psychopath.

Emotions can be useful or destructive. The trick is figuring out the circumstances involved to understand when they're helpful and when they're harmful to your decision-making ability.

Occasionally a mental disorder can come in handy when used in moderation.

Source:

[*The Wisdom of Psychopaths*](#)

Further Reading:

[Phil Mickelson's Placebo Effect](#)

Now here's what I've been reading lately:

- I'm buying gold ([Irrelevant Investor](#))
- The probability glossary ([Library of Economics](#))
- Put these charts on your wall ([Pension Partners](#))
- How long does it take to make your \$ back following a bear market? ([Of Dollars and Data](#))
- The dash is what's important ([A Teachable Moment](#))
- An amazing lesson from Warren Buffett ([Reformed Broker](#))
- Podcast: The Wu Tang Clan of Finance. Find out what stock/company describes me ([Investor Field Guide](#))
