What is Enough?

"Jerry Seinfeld had the most popular show on TV. Then he quit. He later said the reason he killed his show while it was thriving was because the only way to know where the top is, is to experience the decline, which he had no interest in doing. Maybe the show could keep rising, maybe it couldn't. He was fine not knowing the answer."

The excerpt above is from Morgan Housel's book *Same as Ever*. The Seinfeld story beautifully highlights an individual who conquered something people have struggled with since the beginning of time – the concept of "enough".

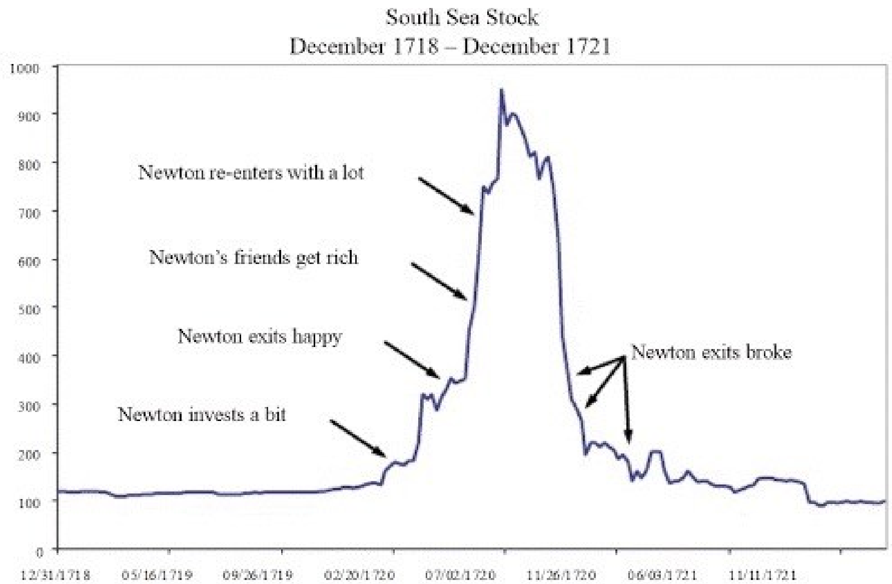
What is enough? It's easiest to grasp at a fundamental level where access to clean drinking water, sufficient daily calories, and shelter represents enough for many. The difficulty of identifying enough increases at a financial level where $100,000 in savings earning interest above the inflation rate is enough for some, while others may determine $10 million, $100 million, or $1 billion to be an appropriate number. The answer is likely different for everyone, and two very different answers can each suit their respondents well. The 19th century German mathematician Jacobi knew that many hard problems are best solved when they are addressed backwards. Since everyone's perception of what is enough will be different, we should begin by applying inversion to the question. How might a person create a permanent perspective of "not-enough"?

A suitable first step is to ensure ambition accelerates at a faster pace than fulfilment. This will produce a target or goal that perpetually appears farther away, while each step forward yields less enjoyment than the last. The result is an expanding satisfaction void, like a swelling thirst that can never be quenched. If a person craves the feeling of unfulfillment, and wants to add risk with diminishing reward, this is a wonderful place to start.

Second, frequently compare yourself to peers, neighbors, friends, family, and the newfangled category of "internet friends". This comes naturally in the financial world where investments are evaluated on a relative basis (performance relative to something else like a benchmark, peer, or index). If your neighbor Jim-Bob the plumber makes a 200% one-year return with well-timed Nvidia stock trades, do not be happy for his good fortune. Instead, compare Jim-Bob's 200% return to the 5% earned on your risk-free Treasury Bills, and dwell on the retroactive what-if possible scenarios. The concept of enough will begin to drown in a psychological soup of malcontent, jealousy, and fear. If you lack a suitable Jim-Bob in the real world, social media platforms are useful tools which provide countless *honest* examples to compare yourself against.

Fear of missing out or "FOMO" supplanted the old idiom of "Keeping up with the Joneses" in recent years. FOMO is a natural consequence when comparing oneself to others. Observing someone shoot off the starting line like a rabbit, as you seemingly plod along like a tortoise, encourages FOMO to hop into the decision-making driver seat.

A favorite FOMO example of mine comes from the South Sea bubble of 1720. A man appointed as Master of the Royal mint invested in South Sea stock as the company was granted a monopoly in the South Seas slave trade. The stock rose rapidly, tripling in value over a short period and the investor sold his shares earning a substantial return on his investment. After the sale, the stock continued to rise, and the man watched his friends gain wealth, as he sat with a pile of cash from his prior successful trade. Unable to resist "missing out" on potential gain, he bought a position in the stock at double the price he previously sold at. The bubble soon popped, and the man lost most of his fortune in the process. This man's name was Sir Isaac Newton, someone known for his logic and rational behavior. After the collapse Newton allegedly said, "I can calculate the motion of heavenly bodies, but not the madness of men."



Marc Faber, Editor and Publisher of "The Gloom, Boom & Doom Report."

Discontent, frustration, and fear flawlessly synergize to lead into the third and final prescribed step – envy. Aristotle described envy as a kind of pain in respect to another because they have a quality, skill, achievement, or possession which we do not, irrespective of its use to us. Charlie Munger referred to envy as, "the worst of the seven deadly sins because it's the only one you could never possibly have any fun at."

A person without envy may unwittingly stumble upon happiness and find a perceived level of enough. To avoid this potential outcome and guarantee a permanent perspective of "not-enough" be envious of others success and allow that envy to grow and fester. Envy can disguise itself as a motivating force, pushing individuals toward great personal achievements. The catch lies in the fact that envy is a corrosive force rather than a constructive one. Over time, any perceived benefit derived from envy will ultimately be unwound with interest. If we were to modify the aforementioned Newton's third law of motion for envy, it might sound something like – for every envy driven action, there is an unequal and asymmetrically negative reaction. The steps outlined above are fundamentally rooted in how one might perceive a situation, an action, another person, etc. Perception lies at the core of why no single comprehensive answer exists to the question – what is enough?

I recently read a post by Shane Parrish of the Farnam Street blog that provides an interesting perspective by thinking in terms of surface area. As a rule, the larger your surface area, the more energy you must expend to maintain it. If you have a house, your surface area is relatively small to maintain. If you buy another house, your surface area and energy requirement expands. Friends, money, and beliefs all represent different forms of surface area. The more friends you have, the less time you can spend with each one individually. The more money you have, the more complex it is to track different types of assets and investments. When surface area expands you hire assistants, property managers, and advisors to scale. This tends to only mask the rapidly expanding surface area by abstracting it. The same underlying energy requirement exists below this abstraction layer, increasing the mental and physical burden. Which gives rise to many of the destructive feelings mentioned earlier, such as stress, anxiety, and unfulfillment.

Finding a suitable balance of surface area to energy output is a logical starting point to help calibrate what constitutes “enough”. Warren Buffett still lives in the same house he purchased in 1958 for $31,500. When asked why he hasn’t traded up to a more luxurious home over the years Buffett said, “How would I improve my life by having 10 houses around the globe? If I wanted to become a superintendent of housing, I could have that as a profession, but I don’t want to manage 10 houses and I don’t want somebody else doing it for me and I don’t know why the hell I’d be happier.” Buffett is a man who solved this puzzle early and the resulting tailwind has proven quite beneficial.

Berkshire Hathaway’s reduced surface area (decentralized structure) is a key factor that allowed the company to scale and dramatically compound over time. Had Buffett been shackled by the managing of managers, Berkshire would be an entirely different entity today. For this foresight, I suspect we again owe thanks to the architect of Berkshire, the late Charlie Munger.

Mr. Buffett and Mr. Seinfeld are excellent examples of individuals who possess a firm grasp on the concept of enough. The person who says, “well if I had what Buffett or Seinfeld has, that would certainly be enough for me” misperceives the underlying point entirely and has likely fallen prey to some form of the inverted steps outlined earlier.

Much of the divisive climate in the U.S. today could be attributed to people’s distorted perception of enough. Monetary and fiscal policy decisions over the past 15 years have created the largest spike in wealth inequality in American history. From 2007 to 2019, the wealthiest 1 percent of Americans saw their net worth increase by 46 percent, while the bottom half saw only an 8 percent increase according to calculations by economist Austin Clemens.

Enough does not mean to settle for less or be complacent, as I don’t believe a complacent person can ever truly be content. Furthermore, Buffett’s success in business and Seinfeld’s entertainment achievements hopefully eliminate the settle for less notion. Enough is not a number or worldly possession, rather a mindset that calibrates perspective to yield better decisions. In any decision-making business the value of mastering this concept is incalculable.

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