The Ugly Truth
Your face is your fortune

Beauty Page: Why Attractive People Are More Successful
by Daniel S. Hamermesh
Princeton University Press, 200 pages, $16.95

Reviewed by Glenn C. Altschuler

As a Republican political consultant recently acknowledged, if Sarah Palin looked like Golda Meir, very few Americans would be talking about her today.

Looks matter—and not just in politics. Labor markets as well as marriage markets, according to Daniel Hamermesh, a professor of economics at the University of Texas, offer premiums for good looks and penalties for ugliness. In Beauty Page, Hamermesh assesses the role of appearance in American society, explores the options available to “looks-challenged” people, and demonstrates that, although it’s in its infancy, and is easy to mock, “psychonomics” (the economics of beauty) is a serious and significant subject.

Hamermesh shows that, within a given society, there is substantial agreement on who is handsome or beautiful and who is plain or homely. Think he’s kidding? Just ask Susan Boyle, Brad Pitt and Danny DeVito. These phenotypic perceptions affect behavior. After adjusting for the impact of education, intelligence, race, ethnicity, social status, union membership, and other variables, men and women in the top third of looks earn about 5% more—and those at or near the bottom garner about 10% less—than their otherwise identical but average-looking counterparts.

Americans seem aware of these disparities. In a 2004 survey conducted in the United States, the cohort of respondent rated a photograph of a person who felt that discrimination based on looks was more pervasive than discrimination based on race and ethnicity outnumbered the respondents who saw things the other way around. And more respondents reported that they themselves had experienced “lookism” than blue bias based on race or ethnicity.

Consider that society would be more efficient (and more just) if people worked in jobs best suited to their skills, independent of their looks, and that there is substantial evidence that employers discriminate based on appearances. Hamermesh suggests that “a market of sorts for looks-based lawsuits is waiting to happen.” Some cities and states, he points out, have expanded equal opportunity protection to height and weight. And a few jurisdictions—Santa Cruz, Calif.; Urbana, Ill.; Madison, Wis.; and the District of Columbia—prohibit the use of “outward appearance” as a criterion in recruitment, hiring of promotion.

The very worst-looking people, perhaps limited to those with disfigured faces, Hamermesh indicates, may be eligible right now for protection under the Americans With Disabilities Act. Ugly people, he suggests, might also seek redress in the courts under state and federal government Civil Rights laws, as a group that faces discrimination in employment and housing, whose mistreatment “seems little different either quantitatively or qualitatively from the mistreatment of other groups.”

Hamermesh recognizes that decisions about assisting sad-looking citizens rest with politicians—and that they will not feel anything like the sense of urgency that propelled affirmative action legislation for African-Americans and women. So the burden is likely to be, as it has always been, on homely men and women to play the hand that fate has dealt them, making the most of their advantages and minimizing the disadvantages caused by their appearance.

In the meantime, psychonomics will probably soldier on at a field of study the last best hope for ugly people everywhere.

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Self-Aware Trader
Momentum and meditation

The Inner Voice of Trading: Eliminate the Noise, and Profit from the Strategies That Are Right for You by Michael Martin
FT Press, 192 pages, $15.99

Reviewed by Jim McIggle

BY HIS OWN ACCOUNT, THE CALM AND COLLECTED commodities trader Michael Martin, who wrote this entertaining and instructive book about the mind-set of successful traders, wasn’t always so calm and collected. Martin confesses that he used to be a “volatile caricature of a trader—an impulsive and blinkered personality who was as jumpy as a toad in a crowded schoolyard.”

Martin achieved balance and harmony through yoga. Other traders featured in the book take up running or some other form of spiritual enrichment. To some, meditation provides the calm circumspection required to manage profit and loss, and avoid being carried away by uncontrolled emotions.

Without such self-awareness and self-control, a trader is doomed to fail, in Martin’s view. As one trader, Steve Spencer, puts it: “You’re not going to see anyone on Fast Money talking about yoga or sitting quietly in a conference room with the infinite, but you ought to.”

Martin’s book avoids New Age chatter by looking at real traders, and consequences posed by each decision. He argues that if you marry the wrong investment instrument to your particular emotional makeup, the result will be disastrous. Thus, a low-energy person has no business trading in the high-voltage foreign-exchange markets. Meditation helps one know his strengths and his limitations, he says.

Martin relates his harrowing experience during his early years as a commodities trader, when he shorted a July wheat contract on behalf of a client in advance of the three-day July 4 weekend, convinced that traders would follow suit to clear the deck prior to the holiday. The traders did in fact short wheat—but used the December contract to hedge their July bets, which were making money, sending Martin into a paroxysm of panic. Five minutes before the end of trading, Martin phoned his wheat trader to cover his short position. But instead of yelling “buy,” he yelled “sell,” inadvertently double-timing on the losing strategy.

“Then came a moment,” writes Martin, “that can only be expressed as the cartoon scene when Wiley E. Coyote is trying to blow up the Roadrunner, and he’s got the live grenade in one hand and the pin stuck on the finger of his other hand.” He must sprint to an operations desk to get “someone with Commissar Authoritarian Wisdom” to negate the trade. Running full tilt, Martin collides with a co-worker. “I took him out with an open-field tackle reminiscent of the late Oakland Raiders defensive back Jack ‘The Assassin’ Tatum, and kept going.”

Martin manages to get an indifferent clerk to enter an offsetting trade, but he nearly ends up costing him $1,200. This mishap marks the beginning of a quest for inner peace brought by self-discovery.

Happy, Martin is no Sigmund Freud. This book is filled with a career’s worth of investment wisdom. Interestingly, he argues that both buy-and-hold and a set-aside allocation strategies are risky. “Studies have shown that momentum is far more important than asset allocation as a factor of return,” he asserts. This was one of the places in the book where I felt the absence of footnotes.

Martin maintains that successful traders do not regularly hit home runs or even triples. “Your job is to keep losses small,” he says. He exits a position the moment it turns against him.

“The key for traders is to live for another day,” writes Martin. Trading, he argues, is all about playing the best defense, not being a prescient stooge.

I learned some valuable lessons from this short, sweet book. The most valuable: I’m not cut out to be a trader.