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BOOK REVIEW

A Review of *The Seven Sins of Memory: How the Mind Forgets and Remembers*

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The Seven Sins of Memory: How the Mind Forgets and Remembers, Daniel Schacter, 2001, New York: Houghton Mifflin, 259 pp.

Has the persistent memory of a past market loss ever kept you or a client from even considering a superficially similar investment? Have you ever been very sure of yourself only to find that what you thought was never ever true? In this concise and well-documented book, Daniel Schacter, Chair of Harvard University's Psychology Department and foremost memory researcher, discusses these and other memory related phenomena.

The actual role played by memory in the decision process is very often overlooked because of the implicit assumption that memory provides a faithful representation of reality. Research now provides clear evidence that memory is not like film or videotape. Specifically, memory is not a copy of the past but is instead a reconstruction of the past filtered through the present context. With clear explanations and the use of many generalizable examples, Professor Schacter demonstrates the strengths and weaknesses of memory in the decision process.

Professor Schacter explains how transience reflects the weakening of memory over time and how lack of attention leads to absentmindedness. Even more relevant to the investment process, he explains how memory distortions can occur due to misattribution (assigning a memory to a wrong source), suggestibility (false memories), and bias (rewriting the past based on current beliefs). Along the way, the author provides important information about the neurological basis of memory as well as many practical suggestions for avoiding memory distortions. In an insightful final chapter, Professor Schacter considers, from an Evolutionary perspective, how apparent memory shortcomings are the necessary byproduct of a device that is generally well adapted to the vicissitudes of human existence. For those who are familiar with the large literature on the use of decision heuristics, Professor Schacter's discussion of "memory heuristics" will be revealing. Although this book is not focused on financial decisions per se, the responsibility of memory for investment miscues is made clear. This is not a book written to help you improve your memory. It is written to help you understand and use your memory more wisely.

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