Jim:	00:00:13	Well, hello everyone again, it's Jim O'Shaughnessy with my colleague, Jamie Catherwood, for another episode of Infinite Loops. I am really excited about my guest today. I have admired him for years and years and years. Wall Street Journal columnist and you're kind of like... You have some honorific. Jason Zweig, who is an incredible columnist at the Wall Street Journal, wrote for Money, wrote for Forbes, wrote a book that I recommend to a lot of people, Your Money and Your Brain, how the new science of neuro-economics can help make you rich. Welcome, Jason.
Jason:	00:00:53	Thanks, Jim and Jamie, it's great to be here. I'm not sure what honorific I have but-
Jim:	00:00:58	You do, I was looking at it, and I thought well, that's cool.
Jason:	00:01:00	Were you thinking of Sir or Lord or something?
Jim:	00:01:03	Yeah, you know what? I think I might be able to hook you up with a lordship, so just in case.
Jason:	00:01:10	All right, we'll take it under consideration.
Jim:	00:01:13	So I've loved reading your stuff for years and maybe that's just because I agree with so much of it. But kind of going back through your book, which I think is great. The idea that there's this mismatch in our mental heuristics, where we're still designed for a world that no longer exists. So all that fear and all those emotions flood and sort of take over our brain. My first question for you, Jason, is we've known about this forever. Is it just that people can't learn?
Jason:	00:01:52	I don't think so. I think in some respects, people are too good at learning, where we learn the wrong lessons. So one way to think about this is and this goes back a ways. But if you think about what happened during the dotcom bubble, the NASDAQ bubble in 1999 and 2000. Tons of traders called themselves investors, they would buy stocks, they were just ticker symbols, they had no idea what the company did. All they knew was it was somehow involved with the internet and therefore, it was going to double in a few weeks, and many of them did until they didn't. Then a lot of those people lost 90% or 95% of their money. So what lesson did they learn? Did they learn not to be a speculator? Did they learn not to be a short-term trader? Did they learn to evaluate assets before they would consider buying them? No, they learned I should never speculate on internet stocks again. So a few years later, they were buying energy

stocks, they were buying housing stocks, they were flipping condos, and then they got burned in the housing crisis.

So it's easy to learn the wrong lesson. The human brain is a fantastic pattern recognition device. But it may be too good at recognizing patterns and that can give us difficulty seeing the big picture. We're all very good at spotting the trees but not very good at recognizing the forest.

Jim: [00:03:51] Yeah. It reminds me a bit, I love Douglas Adams who wrote The Hitchhiker's Guide series, and some other stuff, some nonfiction that's really good. But he had a great quote that goes something along the lines where human beings have a remarkable ability to learn from others. Yet show an incredible disinclination to do so. I think maybe kind of that hits us on the mark there.

Jason: [00:04:16] Yeah, I think so. Charlie Munger has talked constantly about the importance of learning from other people's mistakes, although he's also admirably forthright in talking about the importance to learning from your own mistakes. But I think it's hard for us to learn from other people's mistakes. One of the other things the human mind is so good at is othering. So when you make a mistake, Jim, and you confess it, the first thing I do is I say, "Well, that's Jim's mistake. That's ridiculous. How could he have been so stupid? I would never do anything like that." Then, of course, the next day, I probably go out and do exactly what you did. When I make that mistake, instead of characterizing it as the same kind of mistake you did, instead, I make a key differential judgment. So your mistakes, the mistakes that other people make, I will consider dispositional. You made that mistake because you're stupid. Obviously, I don't mean you, Jim.

Jim: [00:05:39] Yeah. You got me.

Jason: [00:05:43] But when we observe other people doing things we disapprove of, we attribute that to their disposition. When we make the same mistake, we attribute it now to the situation. So the wonderful, easy metaphor I like to use for this kind of explanation is imagine you're in a restaurant back in the days, of course, when we could go to restaurants. You hear someone being rude to the waiter or I should say you hear someone yelling at the waiter. So what do you say? You say that person is rude. Maybe a week later, you're in a restaurant and you lose your temper with the waiter. You don't regard yourself as rude, you say I'm really having a bad day. So the other person's behavior is attributable to disposition but you attribute your own behavior to the situation. So when we make a mistake, we're all too likely to focus on the distinct, unusual, unique characteristics of the situation in which we made the mistake. We're naturally reluctant to attribute it to our own disposition. That maybe we aren't well enough trained to be doing this, maybe there's education we need to undertake before we try it again.

Maybe there are policies and procedures we could adopt that would keep us from doing it again. Instead, we just say I shouldn't have done this or I shouldn't have done that or I didn't eat enough today. I got in an argument with my spouse or I didn't have enough sleep. All of those things, I think, impede our ability to learn.

Jim: 00:07:43 Yeah, I was reviewing Steven Pinker's The Blank Slate and he has a great quote along those lines. Basically saying we're really good at seeing the flaws and problems in others and we are horrible at seeing them in ourselves. I think you've just got done eloquently explaining and I really agree with that. The challenge, the way I look at it is I know that Annie Duke is involved and think you might be tangentially involved in that better decision-making group. So I think there's that. I think that education, yes but I just worry. To your point, I worry that maybe because of the way we think, right, that it's not my fault, because, fill in the reason. That we might even see that or they might listen to this podcast. They might say, "Jason, that's a really good point." But it then seems to immediately be [neutralized 00:08:50] away from memory. It's about things that flaws and faults in yourself.

So I think one of the things that helped me the most was coming to the realization, I'm just as likely if not more likely, to fall for all of this stuff. I think that freed me to better understand all these various errors because you've got to cross that line. You've got to say okay, I am not the only exception. In fact, I'm probably in the 10% are going to be most fooled.

Jason: 00:09:31 Yeah.

Jamie: 00:09:32 It's like I wanted to hear more Jason about your recent undercover operation as a momentum trader. I feel like this is a good segue because you lived as the other [inaudible 00:09:43].

Jason: 00:09:43 Well, yeah that's true. So a few weeks ago, I wrote a column about my merry adventures with Robin Hood. Essentially, becoming a day trader or swing trader to some extent, I guess against my will. I've written for many years on a pretty constant theme, which I think echoes what Jim was just saying. Which is that as an investor, whatever you can do that can be turned into policy and procedure, you should do. Though, the less frequently and the less significantly, you have to make individual judgments. The more often your decisions can simply arise out of the mechanical process, the better off you'll be. So I started off this exercise determined to follow a mechanical strategy, rather than just pick stocks willy-nilly. But the next thing I knew I was picking stocks willy-nilly and it didn't end very well. On the other hand, I did not do what, of course, you should do under those circumstances, which is measure the performance of what the strategy I intended to follow would have been. I can't say for sure that I would have done any better had I stuck to my original plan.

But I think the mistake investors so often get into is that they rely on the effectiveness of their judgment and willpower down the road. So they say when I'll sell this stock when I have a nice profit in it. Then it doubles and they can't let go of it. Then it goes to zero and they still can't let go of it because they're waiting to get back to break even. If you have rules and policies and procedures and you force yourself to follow them, that can eliminate a lot of those emotional problems.

Jim:	[00:12:23]()	Yeah. Obviously, that's the way we invest in O'Shaughnessy Asset Management but I also believe very deeply. In that most people who are not like passionate about investing, they're probably best off dollar costing or dollar-cost averaging their money into an index fund, I would argue a world index fund. Then enjoying the other things in their life that they really are passionate about. What do you think it is... I read your piece with our mutual friend, Morgan Housel. What do you think it is about people that, it seems to me, many of them just can't go yeah, investing not interested? Going to dollar cost average into this cheap world in ETF and I'm going to follow my passions. What do you think?
Jason:	[00:13:18]()	Well, I guess I want to be careful not to come out sounding all puritanical or old man yelling at cloud or something. But for as long as people have invested, there's been a tendency to regard it as entertaining. I don't think that's all bad, by the way. I think back to somebody like my dad and I think in your family, Jim, you had similar experiences in your family tree.
Jim:	[00:14:04]()	Yeah.
Jason:	[00:14:04]()	My dad, he was not what today we would call an active investor. But he did occasionally buy individual stocks. Typically, it was one that he felt he knew something about. In today's

world, we would regard the kind of knowledge he had as being very quaint. Maybe he had used a company's product once and liked it. I remember once we got our tires changed in Glens Falls, New York. It turned out that the CEO of the tire company happened to be on-site that day. It's a company that no longer exists, I think. My dad was so impressed that the CEO would go around to garages in the middle of nowhere. That as soon as we got home, he bought the stock. I couldn't tell you how it did but that's what people called knowledge in those days. I think if that engages people in the American or global economy and gives them a stake and a feeling of participating, that's not all bad. It may be more vivid and personal than the feeling you get from just buying a boring index fund and keeping it for the next half-century without doing anything.

Owning index funds makes watching paint dry seem like going to the Daytona 500. It's about as boring an activity as a human being could possibly participate in. Even calling it an activity is probably the wrong term. It's essentially doing absolutely nothing and that's hard for people. A life without any excitement is not very interesting. Look, people bungee jump, and every once in a while, the bungee cord doesn't hold. Somebody ends up at the bottom of the canyon and that's not a good thing. But if you told everyone we're banning bungee jumping because every once in a while somebody goes splat, people wouldn't like that.

So I don't love the idea that investing should be entertaining. I remember many years ago, Charlie Ellis, the great investment consultant said to me that if it's interesting, you're doing something wrong. Investing should be like a manufacturing process. He compared it to the production line in a cookie factory. While you might be tempted to eat the cookies while they're being made and if there's any significant variation in what the cookies look like, how often they come off the line, what the inputs are, what the outputs are, then the factory is malfunctioning. You should just let the assembly line run because they know how to make cookies. Any changes you make to the process are almost certainly a mistake.

But that's hard for people. If I were in a cookie factory, I'd want to eat some cookies.

Jim: [00:18:00] But if you give a mouse a cookie, he's going to want a glass of milk.

Jason: [00:18:04] Correct.

Jim:	00:18:06	Well, that kind of reminds me of what Deming said about if you can't describe what you're doing as a process, you don't know what you're doing.
Jason:	00:18:14	Exactly.
Jim:	00:18:16	So I guess I agree on the part where I'm not at all opposed to people having some small amount of money that they literally call entertainment expense. If that can help them learn about investing, then I'm all in favor of it. The challenge thing from people that I've spoken with, is the people who it hurts often kind of end up like the fellow you were describing earlier. I'm going to sell this one when it doubles and they don't. It goes down to zero, they don't sell but they get sucked in. Listen, if you want the world to be nothing but like investment junky news, given the internet, and the clickbait and the forecasts and all of that. It could be 24/7, nonstop entertainment.
Jason:	00:19:19	You bet.
Jim:	00:19:21	So like anything, right, it's a challenge between... So I really want young people, for example, to understand investing. I think it's good and I think that if you do you get to understand the process of why capitalism, free markets is such a great thing. Maybe even learn to make the distinction that it's those grifters up here that we're opposed to, we're not opposed to free markets. So I think that's all for the good but Jamie's on and we all share a real interest in history. Boy, we can go all the way back. Some things are overblown like the tulip bulb thing was overplayed as Jamie made pretty clear in one of his pieces. But the South Sea bubble wasn't overplayed. Isaac Newton, one of the smartest guys of his era lost his fortune. It just doesn't seem to me that as a group, we humans have learned anything efficacious in terms of helping us avoid these problems.
Jason:	00:20:40	Well, yeah. I think it goes back to what we were saying earlier. Electronic markets are not what the human mind really evolved. It's not the environment that we evolved in and it's not an environment we evolved to be particularly good at. The pattern recognition, we're extremely good at, was developed on the plains of the Serengeti. So that we could find food, shelter, water, and a mate with reasonable reliability. So that we could pass our genetic material on to the next generation. The kinds of risks and rewards that exist in today's markets are far more complex than is the fruit on this bush toxic or not? Things can produce risk and reward over multiple horizons with dozens or

hundreds of variables that are dynamic and chaotic, and extraordinarily difficult to predict. Even with the best math and the most powerful computers. But the unaided human mind is almost at a complete loss. Faced with a lot of the decisions that the markets throw at us today.

Jamie: 00:23:09

I was just curious, Jason. I feel like we've probably talked about this before maybe even on our first phone call. But I am curious how you kind of transitioned from graduating with a degree in art history and kind of becoming interested in markets. For people who might not know, that was your kind of background. I think it'd be interesting to hear that progression.

Jason: 00:23:32

Yeah. Well, I wish I could say that I mapped it all out and that I'd planned it all along. But that would be a lie. My parents were art and antique dealers, I grew up fascinated with American history, which was one of their... One of their specialties was colonial American furniture and 19th Century American paintings, and European pottery and porcelain. Our house was full of history. I grew up sitting on 250-year-old chairs and doing my homework on 200-year-old tables and desks. So the past was always present for me. When I first tried to make my living as a writer, I did not have much success. I was like every fledgling writer, I guess I was interested in writing poems and novels, which nobody wanted to read. I had a lot of difficulty finishing.

So eventually, I just got it. I just took any old jobs in journalism I could get. I just kind of bounced from one start, sort of starter job to another until I landed at Forbes Magazine. Suddenly, I was a business reporter because that's where I worked. It's what we did there and I liked it. I had been entrepreneurial as a kid, my parents had always owned their own business. They had done several things before they went into the art and antiques business but they'd always been self-employed entrepreneurs. So I understood business, I respected business people. I was fascinated by the human drama of it.

It was only when I started specializing in investing, that I realized that this was a way to understand the human condition. To, I guess, observe the human mind making decisions in the wild. Of course, all investing really is, is making decisions about risk and reward over time. If you think about it, that's pretty much what human life is about too. So I never ran out of material and I never found it boring. I found it fascinating.

The thing that fascinated me above all is, I think the same question that Jim has been asking about one way or another several times already. Which is why do smart people do stupid things with their money? There's no definitive answer to that, there's no single answer to that. I think I understand it better now than I did when I started out. But we're always learning new things about the problems people face. I think I understand it a lot better today than I did when I began. But we still have a lot left to learn and that's why I still show up for work.

Jim:	00:27:31	It reminds me of something of yours that I read before getting ready for this interview. Where you had a great quote, which was successful investing isn't about IQ, it's about character. You want to elaborate on that? I agree with you, by the way.
Jason:	00:27:48	Yeah. That's kind of a riff on what Ben Graham said at the beginning of his book, The Intelligent Investor, which I had the good fortune to edit in 2003. Graham wanted to explain why he chose the term the Intelligent Investor and what he meant by intelligence. He made very clear what he meant, that it wasn't about IQ, it wasn't about a graduate degree, like an MBA or a Ph.D. It wasn't about a professional certification, like Chartered Financial Analyst or Certified Financial Planner or CPA. But it was about character and he used that term, that exact word. I believe the verbatim language is it is a matter more of character than brain. You have to be independent and skeptical. You have to be disciplined, you have to have self-control. Probably the most valuable of all those attributes is self-control. Emotional discipline is the single hardest thing about the investing game, just it's the hardest thing about life.
Jim:	00:29:26	Yeah, I agree 100%. I think if I'm remembering correctly, I'm going to just look at my notes really quickly. You also did a great interview with the legendary Peter Bernstein, who wrote Against The Gods. He was truly a legend. In your introduction, you say there are very few people who have achieved the status where you can just use their first name. Like Warren for Buffett and Peter for him. I liked what you wrote, you said that if you could have a personal Yoda, your Yoda would be creative, open-minded. A thinker who had experience and an encyclopedic knowledge of both psychology and market history. It kind of seems to me as I watch you in your career and read all of your stuff, that you kind of created that in yourself.
Jason:	00:30:27	Well, thanks for saying that, Jim but I'm immediately going to say that I should be so lucky as to be like one-10th as wise as Peter was. He was just an extraordinary person, professional, and he had really unparalleled experience over the course of many decades.

But I do think you're raising an important point that I'll answer maybe in a different way. Which is investing for individuals, I think I would say is a profoundly lonely activity. Traditionally, you wrote a cheque, and you mailed it to some mutual fund company. So that somebody you would never meet, who was only a name to you if you even knew the person's name, would manage your money. Putting it in stocks you might have no acquaintance with. Today, most of that, we do by machine, we do it on our phones, we do it on our laptops. But it's lonely and alienating and people need heroes. It's one of the reasons Peter Lynch of Fidelity Magellan was a celebrity. It's a reason why Warren Buffett and Charlie Munger are celebrities, at least in our world. People want role models, they want somebody they can look up to. Someone who explains things and makes the world seem to make sense in a way that works for them and models behavior that they can follow.

So I think I would put the question back to you and say Charlie Munger is going to be I believe, 97 on New Year's Day, and Warren Buffett will be 91 next August if I remember all those dates correctly. Neither of them will live forever. When guys like them are gone, who will replace them?

Jim:	00:32:55	Yeah. That's a great question that I don't have a ready answer for, I wish I did. I suspect that what will happen much like Buffett, especially but Munger as well, not many people knew about Mr. Buffett until well into his successful career.
Jason:	00:33:21	Correct.
Jim:	00:33:23	So my suspicion is that there's probably some young person out there today, who is busy working and building and investing and we still don't know about him.
Jason:	00:33:38	Yeah, that's a very good point and I certainly hope you're right. We lost Jack Bogle, I think it's almost two years ago now, the founder of the Vanguard Funds. It's odd that it seems almost all the universally acknowledged heroes in the investing world are quite old. There are two, maybe even three generations of people younger, none of whom really have produced the kind of hero that everyone can look up to. There's any number of hedge fund managers who are well-known and here and there are some other well-known investors and innovators. But I don't think any of them have achieved that kind of universal acclaim that Bogle and Buffett and Munger earned and by the way, deserved.

Jim:	00:34:50	Yeah, I agree. I think maybe part of that, of course, is that we live in such a fractured, scattered world if you will. There are so many opportunities and subgroups and tribes that people might align themselves with. That I often joke that we're currently undertaking one of the world's largest psychological experiment without a control group. Maybe the Amish, okay but other than... So I think that part of that because I thought about this a bit, part of that is because of that. Is because there are so many different channels, if you will, where people are expending energy. I think two, that there are people like that. We just because of the nature of just pure plethora of choices we have to read or watch or whatever, we're not yet familiar with them. I think, for example, in the earlier eras, Bernard Baruch, a good example. He was at the year of presidents and everything else. I would bet that other than the Jamie's of the world, many people Jamie's age wouldn't have no idea who Bernard Baruch was. So I don't know, maybe 50 years from now or 40 years from now or however many and that person or group of people who I referenced earlier, as working away right now, somewhat in obscurity. Maybe there'll be better known and then the Bogle's and Peter Lynch's and Warren Buffett's will probably be remembered. But there will be a new group to revere if you will.
Jason:	00:36:59	Yeah. Well, I certainly hope so.
Jim:	00:37:01	So do I. That's one of my favorite topics, actually, the need for myth and the need for heroes and whatnot. That's a human need that you can trace all the way back to the beginning of written history and before it, obviously, storytelling.
Jamie:	00:37:30	Speaking of mythology, one of the things I wanted to talk about today was your recent newsletter, which was titled The Unicorns, Facts, and Mythology in The Market.
Jim:	00:37:39	Yeah, I just read that, it's really good.
Jamie:	00:37:43	Would you walk us through what that mythology is and what you were talking about?
Jason:	00:37:52	Yeah, look, nobody really wants to get rich-rich, everybody wants to get rich quick. There's no fun in getting rich slowly and certainly, there's no bragging rights in it if somebody else gets rich faster than you. Jamie has written many times about IPOs and SPAC, of course, they're just an alternative way of doing an IPO. But it's not a new idea. A SPAC is what we used to called a

blank check company and before that, they were called blind pools. We can certainly document them during the South Sea bubble and one of the first stories I ever wrote when I became a reporter at Forbes, I'm reluctant to admit it was in the 1980s. Was about there was a boom in rabbit meat companies and these were stocks. Most of them went public through reverse mergers, which is again another way of saying a SPAC. The Assam shell company that had a name and was traded in the Pink Sheets or over the counter, would merge into a meatpacking plant. That had lain idle but now was butchering rabbits instead of cattle or pork. There was a little boom-let in these things. I guess it was in 1988 or '89. There were a handful or two of these rabbit meat companies that became public that way.

Rabbit meat never really did take off in the US. I think rabbits are a little bit too cute for most Americans to be comfortable putting on their dinner plate. The people who invested in these things, well, I guess I could say they got scammed.

Jim:	00:40:19	Yes, they did. But that brings up the point sort of the-
Jason:	00:40:25	That was a very polite laugh, Jim, I appreciate that.
Jim:	00:40:29	Well, there's a more genuine for... It brings up the... If you're a fan of the talking head, same as it ever was, same as it ever was.
Jason:	00:40:36	Yeah, exactly.
Jim:	00:40:38	I wonder about that sometimes, right because it does seem that we repackaged, we renamed. You and I've been around long enough to see this happen so many times. I remember when everyone thought that the Japanese were going to take over everything in America and all the movies were about that happening. Everyone was writing about that happening. My God, the land underneath the Imperial Palace is worth all of America. By that time... I've learned a lot since then but even by that time, I was like this just doesn't seem right to me. I wonder because when you wrote your review of Morgan's book and you were talking about money encompassing is a conduit of emotion of ego, of fears, and hopes, and all of those things. Do you think because of the emotional nature that all of us unless we train ourselves or have that checklist or have that those guardrails, like we have, for example, algorithmic investing. Do you just think that because it channels through the emotions that we're missing what might be obvious to independent observer?

Jason: [00:42:07](#) Yeah, I think so. When I wrote my book, Your Money and Your Brain, I struggled with the structure of it a little. Until I finally figured out that each chapter should be about an emotion or an emotional state. The chapters ended up with titles like confidence, regret, surprise, fear, anticipation, prediction. That's what investing is really about. It's if you invest well, you'll fill yourself with pride. If you invest poorly, you'll feel shame and despair. All money really is, it's a way of measuring with currency how you feel about yourself. Obviously, in society, it plays other functions but for the individual, money is a marker of self-esteem and hope and despair and regret and surprise and excitement. So all of those things make it hard for us to learn from our mistakes because we end up... The other thing the human mind is incredibly good at besides pattern recognition is protecting itself. We'll tie our brains in incredibly complicated and clever knots, to avoid admitting that we were wrong about something. The human mind probably has no ingenuity greater than that, of figuring out how to avoid admitting a mistake.

Jim: [00:44:41](#) Agreed. It's a challenge to convey that information in a way that people don't sort of automatically think you're kind of going after them. One of the things that I've found, I read about this stuff a lot, and talk about it a lot. What I found is that if you sort of depersonalized it. A guy I follow on Twitter uses the term human operating system. So I started using that. It's really interesting because you don't see the shields go up. The person you're chatting with or who's reading your stuff doesn't automatically take it as an accusation.

Jason: [00:45:30](#) Yeah, that's good.

Jim: [00:45:32](#) So one of the things that I've found can be helpful in this idea about mistakes. So to me, at least, it's almost a mindset that if you can get into, it just pays back such huge dividends. That is so I've made all sorts of mistakes, I've written about it. Anyone who says they haven't made mistakes, either hasn't done anything or is lying. So I learned how to look at mistakes, not as some horrible thing but as like a great way to learn something. You have to come from a place where you're like look, the more I learned, the more I figured out that I know nothing. Honestly. If you read history, you're a history buff, Jamie's a history buff. If we look at the brightest person from say 400 years ago, probably almost everything that they believed, beyond a shadow of a doubt, with full certainty was wrong.

So when you get into that habit, I think you are able, at least I found myself able to remove it from ego, remove it from me. So remove from gosh, that's something I did, I should feel embarrassed about that or whatever, human emotion. I just rather kind of say, well, now what can I learn from this? Again, going back to Morgan, in your review of his book, I used to think that the difference because one of your headline, I think was the difference between rich and wealthy.

Jason:	00:47:22	Something like that.
Jim:	00:47:23	Yeah, something like that. So I used to just sort of think that was a euphemism. The idea that people who were rich never called themselves wealthy, they called themselves rich because they were more plain-spoken. But reading your thing and talking actually with Morgan, made me understand that maybe it is kind of emerging as a new way to bifurcate these things. Wealthy can mean as I think what Morgan and a bunch of young writers today imply, is being comfortable, buying yourself a chance to take a breath. All of these things, which I think are great. But do you think that to get people... Again, you have written wonderful stuff about this endlessly. What do you find is the most effective? What do you find is when people are like writing I get that one, what did you find? If there was a commonality, was there one?
Jason:	00:48:29	Well, I think anything first-person and confessional does ring a bell with people. I guess I should say strike a note with people that they really like. I don't do that super often because when you do write a column for a major publication, you have to be on your guard against talking about yourself all the time. There are columnists at major publications, I could but will not point a finger at, who do that much too much. I don't want to do that. I think that does help. I think... Well, I don't want to sound too cynical. I think it's important to be skeptical. Most people don't want to change their mind. They don't like changing their mind. Changing their mind feels uncomfortable and scary and wrong. Changing your mind is an admission that you are wrong and that really is hard for people. I think what anyone who communicates with the public should recognize is that your ability to change other people's minds is limited. My goal when I write is never to change the mind of every single person who's reading this particular thing. I tend to think about it very concretely and in a very limited way. My goal is to change one person's mind and I don't care who it is. I just hope I can get one person to think differently. I would consider that a major victory if once a week I can get one person to sort of reconsider a viewpoint that they've been holding to with too much conviction. I often like to tell the story

of Ignaz Semmelweis. I'm sure his name, Jim. So Semmelweis was... I would argue, may have done more for the human race than any other single person who ever lived. He taught doctors the importance of washing their hands and he probably over the past century and a half has probably saved several billion lives. But every doctor in Europe, where he did his research, every doctor in Europe in his time hated his guts. Was convinced that he was evil, wrong or crazy. In fact, in the end, he actually became mentally ill. It's a really tragic story.

If your life becomes entirely about getting other people to change their minds, then you will not live a very happy life. It's very difficult to get people to do that. When you think that professional surgeons who even then were pretty well trained and educated, regarded it as almost a mortal threat to their careers. That somebody would be telling them that they needed to wash their hands. That gives you a sense of just how hard it is to get people to change their minds. I think we should work on gradual mind change rather than drastic mind change. It's a lot more realistic and it won't put you in a mental hospital.

Jim: 00:53:04 The Semmelweis I use that example quite a bit when I write or talk about it because what's fascinating to me was that at least from my perspective, it's very helpful. It's very easy to see what happened in that era and because we no longer have those social conventions to say, well, they're crazy. But the Semmelweis thing was wash your hands and all the doctors rebelled at that because it was seen as a feminist during their day. They said it was the priest ringing the bell, the death bell that was causing it. So Semmelweis said, "Okay, well have him stop." He stopped and they kept dying. So he said, "I think it's the fact you're not washing your hands." But the interesting thing that just I still can't get over with Semmelweis is you're right, he was ultimately institutionalized. I think if you read his story, there was more politics behind that than we might think.

But anyway, his successor... By the way, he forced the doctors to wash their hands, he compelled them because he was the head. Death rates plunged for all of the women and these were doctors seeing women giving birth. The new guy came in, had all of the data right in front of him, looked at it and said, "This is madness." They went back to not washing their hands, death rates went way back up again. So I think you're totally right about the idea of people will... Social convention is a really strong thing. I kind of call it consensus reality and it's when everybody's kind of thinking or believing the same thing. If you suggest that thing is wrong at least they're not burning us at the stake anymore. But being a heretic, being an apostate still carries a heavy burden. I think that we still have these social stigmas, they're just different now. But one thing that I have learned and it took me a while to learn it, I'm glad I learned it. Maybe it's just getting older. When I was younger, I was a proselytizer, I wanted other people to believe. Then it really struck me, I cannot change anyone's mind. By that, I mean can help but my target went to where your target is. It's just like if all the stuff I put out helps one person, great, then I view that as a win.

You can compel other people. If you are in a position of authority, you can compel them, you can command them but you can't actually get them to change their minds. They have to do that on their own.

Jason: 00:55:50 That's right. I would say most people may never change their minds and you have to accept that. I never give up trying and my objective every time I write anything, is to get at least one person to change their mind. But I'm not trying to get everybody to do it because that's just a recipe for heartbreak.

Jim: 00:56:22 Yeah, I agree. In a few minutes when we get to the final question we ask all our guests, you're going to get an opportunity to give us a couple of those. But anyway, I share your opinion 100%. It's just all you can do, really, at the end, I think is put the way you think about things out there. If it's helpful, great, that's wonderful. But if you're trying to have [inaudible 00:56:53], and get a big audience to come, is probably not going to happen. This bothers me. I'm sure you've read a lot of the same books on influence and persuasion and all of these things. With Bernays, the father of propaganda and PR. It just strikes me as just wrong to use these techniques. I'll write about them, so I can warn people about them. But it puts us in a tough spot because what I believe and what I find to be valuable, that someone else can clearly have a different set of beliefs and what have you.

But I think that you have got it right and that's why you're able to continue contributing. If you were trying to change everybody's mind who read one of your pieces, my bet would be you wouldn't be doing it anymore. You would just be saying that's crazy.

Jason: 00:57:57 Yeah, I would have given up a long time ago.

Jamie: 00:58:05 I'm wondering, Jason if you're kind of... The comments and responses to your articles have an inverse correlation with how the market is doing. If in times like this when people think it's

		easy to make money, they are extra kind of touchy with some of your articles. Saying that maybe it's going to turn for the worse at some point.
Jason:	00:58:28	Yeah. The nature of... The medium of feedback has changed a lot. 20 years ago, people would email you what they thought. Now, of course, most of it occurs on social media. Although, at the Wall Street Journal, a lot of it occurs in the comment section. I'll admit, I often don't read the comments section on my articles or anybody else's. They tend to get hijacked by people with strong political viewpoints. In fact, five years ago or so, I guess more like six or seven years ago, I was at a dinner party and introduced myself to somebody and they asked what I did. I said I'm a writer at the Wall Street Journal. They said, "What do you write about?" I said, "Well, apparently Obama." Every time I wrote if I would write an article about oil prices or ETFs or value stocks. All the comments would be if we didn't have Obama definitely we wouldn't...
Jamie:	00:59:52	Thanks, Obama.
Jason:	00:59:53	Yeah or thanks, Obama, right. So I tend not to look at the comments very much. But now that I do a weekly newsletter, I get a lot of feedback that way, which tends to be more thoughtful and constructive. But what I will say and I do think this is reliable. Is that one of the only true measures that a bubble is reaching its peak and is about to burst is when the believers in the bubble turn angry at skeptics. Once true believers go from mocking the critics to attacking the critics, the bubble doesn't have too far to run. Nobody can reduce this to a quantitative formula but it is a consistent pattern over time. Bill Bernstein has a book coming out next spring, about the history of sort of manias. It's like an update of the Charles MacKay book on incredible popular delusions and the madness of crowds. Bernstein argues in his book that is a persistent pattern and that has definitely been my experience. I think for those people who believe Bitcoin, for example, is a bubble, and I'm agnostic on that. But if you do regard it as a bubble and if you are critical and people go from ignoring you or saying that you just don't get it. To attacking you in very personal terms. Then that might be a sign that the price isn't going to keep going up much longer.
Jamie:	01:02:01	Cough, Tesla, cough.
Jim:	01:02:06	Well, I certainly can confirm that because during the internet dotcom bubble, again, talk about mistakes. So I wrote a piece called the internet contrarian in April of 1999.

Jason:	01:02:22	Nice timing.
Jim:	01:02:23	Well, not really, right, I was a year early.
Jason:	01:02:25	Yeah.
Jim:	01:02:27	So the amount of hate email that I got. So I was 39 years old at the time and everyone is what are you, 80? You don't understand anything about the new world and all these things and it was all personal. None of it was talking about AOL's higher market cap being the future, being what it's going to do in the future. That AOL would have to sign up every single human on the planet to even begin to justify a multiple. So none of that, that was all thrown out. It was just what an idiot, what a fool I was, old fogy, all of these things. But here's the catch. So I write that article. What do I do? I started an internet company. How can you be more stupid? But it goes to show-
Jason:	01:03:26	You weren't wrong on either account, actually.
Jim:	01:03:31	Well, what's the old one, you can be wrong longer than you can remain solvent?
Jason:	01:03:39	Yeah, something like that, yeah. James didn't say it but close enough.
Jim:	01:03:43	Is it great? So I've been having fun doing that, by the way as an aside and you're good about this. So many of these quotes are attributed to people that didn't say them. So I have come to simply say attributed to because I don't know. So who has fun with this is the Anonymous Artist, Banksy. So he writes something like hey, you can say any goddamn thing you want and make it sound brilliant if you sign, and then it's Plato. But the point is it shows that sort of mimetic desire. When that is at a fevered pitch, even people who are writing highly skeptical articles like the one I wrote get sucked in. I did. So I think that's a really good litmus test, the one you just outlined. They've gone from trying to argue about sort of the fundamentals, now with things like Bitcoin, you can't because it's a different type thing. But Tesla, for example, you could. By the way, haters, I don't own Tesla, I don't short Tesla. I do not have a dog in this hunt. But by the way, I am also fascinated by Elon Musk. I think he's a fascinating character, in much the same way that Barnum was, for example.

Jamie:	01:05:12	That seems like you're making a statement.
Jim:	01:05:19	Well, okay, let me make a corrective then. He, the guy has rockets landing. I don't know, I get welled up when I watch those rockets land. I think that is really cool. So I'm probably wrong.
Jamie:	01:05:35	Yeah, tenacity like Charles Ponzi.
Jim:	01:05:42	So the point is a good one and the challenge, of course, is the removing yourself from it. My own example is a good one. Write the article, be critical, say this is crazy. Say 80% of these companies are going to be carried out feet first, say that even the winners are 95% overpriced, and then start an internet company. But that shows kind of the poll. I don't know and I'd be interested in your take on this, Jason. Maybe it's just because I don't pay as much attention to all of that noise if you will like I used to back then. But it doesn't seem to me, other than the ad homonyms and that kind of thing. It doesn't seem like there is sort of a unified this stock XYZ or this asset class can do no wrong. Maybe I'm wrong, maybe I'm not paying enough attention.
Jason:	01:06:49	Yeah, I don't think it's the way it was in 1999 and 2000. I think there are some areas of [bubbliness 01:07:08]. But I don't think the stock market as a whole is a bubble. Even that statement is a little controversial. There's lots of portfolio managers who would disagree, lots of hedge fund managers who would disagree. But with Tesla, with Bitcoin, there are people who are just like really intense about it.
Jim:	01:07:37	Yeah, it's a religion, it's not a belief.
Jason:	01:07:39	Exactly, it is completely a religion and as Bertrand Russell would tell us, it's not really worth debating religion. It's not worth an atheists time to debate religion with someone who is devout. Let's put it that way. But I think it's pretty isolated. I don't think... There are people who try to compare the market of 2020 with the market of early 2000 before that bubble burst. I think that's a bit of a stretch. Yes, the big growth tech stocks are expensive but most of them aren't expensive the way the market favorites were in late 1999 and early 2000. The enthusiasm then was just nothing like what we have today. It was way wilder and crazier than what we have now.
Jim:	01:08:52	I couldn't agree more. I debated a guy, I was the public face for OSAM, which thank God now Patrick is because he's better

looking and smarter than I am. But back then I gave a ton of speeches and I still remember this one, 1999. The guy was, I guess "debating" was a money manager from Midwest. Who literally his honest to God advice was only invest in technology stocks and even better if you want to get a higher return, only invest in internet stocks. I'm like sitting there on the stage, looking at this guy, who was very well known. I'm like you can't be serious. The fervor, kind of the Jimmy Swagger in this guy was unbelievable. It was like I will smite you down unbeliever and I'm like you're a fiduciary, you can't do that. Again-

Jason:	01:09:56	Was he telling people to leverage to do it?
Jim:	01:10:00	Yeah.
Jason:	01:10:00	All right.
Jim:	01:10:02	He came to a very sad end. I'm saying this to underline when you were there and you were feeling that fever, I agree with you. This current one is nothing like that.
Jason:	01:10:19	No, it really isn't.
Jim:	01:10:21	People really believed that the world was changing. Just a real quick story. So I got a very great bid for the company that I started called, Netfolio and wonder of wonders, for Patrick to make it work, we call it Canvas now. But it was sort of the same thing, we even got a patent on it and got a great bid. It happened to be from a well-known investment bank. All of my board members who were all venture capitalists said, "Are you insane, Jim?" I'm like, "What am I missing here?" They were like, "That's a bricks and mortar legacy company, you'll never be able to go public." The thing that just slays me as I contemplate this, is that I took their advice. That's so stupid but with the conviction, people had this conviction that the world truly was changing. That all of history was going to be swept aside by this new Nirvana of technological bliss. Of course, that isn't what we see today at all. I agree with you, by the way, about the valuations today versus back then. Back then they were literally insane. Now, I don't think they are. Things are expensive but that again, that's debatable. Except for the people who have converted their religious convictions, Eric Hoffer-like into becoming true believers in these days. I don't talk to many people who are like evangelical about the current market.

Jason:	01:12:12	Yeah, it's not like it once was, I agree.
Jim:	01:12:15	No. Well, sir, this has been a great treat. When we get close to the end, since Patrick took the good to one in his far more popular podcast, Invest Like The Best. At least he named it as an homage to me, that was my first book. We came up with one of our own that we think is kind of fun. That is exactly as we were chatting about a minute ago, about changing minds and things. The question is this. If we could wave a magic wand and make you emperor of the world for a day, you can't do anything bad. You can't kill anyone, you can't-
Jason:	01:12:56	Darn.
Jim:	01:12:57	Yeah, sorry.
Jason:	01:12:58	You can't put anyone under edicts, you can't stop people from expressing themselves. But if you could promulgate two things that people would sort of say yeah, we'll do that, what you got for me? What two things would you get that if you got to wave a wand and people would begin doing or adhering or what have you, what would be your thing?
Jim:	01:13:27	Yeah, I'm not sure it has anything to do with investing. But I guess at first, would be to stop regarding disagreement as a threat. We see this every day in public life and politics. Not just in the US but almost worldwide. Someone who sees things differently from you is not your enemy. It's a lot harder to learn from someone who agrees with you than it is to learn from someone who disagrees with you. If someone agrees with me, am I going to learn anything from that person? We already think alike. So why am I listening to people I agree with? I know why people do that. They do that because it's comfortable and it feels good to them. It confirms what you already think and it gives you that kind of cozy feeling of belonging to a community. But if you want to deepen your thinking and improve your mind, you should listen a lot more to people who don't think like you and who disagree with you. When they disagree with you, you shouldn't hate them. Rather than regarding someone who disagrees with you as your enemy, you should regard people like that as your friends because they can teach you if you open your mind. So that would be the first one.
Jason:	01:15:24	Love it, amen, completely agree.

Jim:	01:15:28	The second one.
Jamie:	01:15:29	That would be a really magical wand.
Jason:	01:15:36	Yeah. I'm not sure, I think if we could do that one, that would be a very productive wave of the wand. I guess, let's keep it close to home. I think one thing I would encourage people is that if you are an investor, you should recognize that investing is not only and in fact, is not primarily about finance or math. It's about psychology and history. It's about social psychology and it's about cognitive psychology, how other people think, it's about how you think. It also depends on understanding the past. We can't make really accurate predictions about the future just because we know what happened in the past. But we're a lot less likely to have negative surprises that could really devastate our portfolios if we are at least aware that stuff has happened in the past. So investors should spend a lot more time studying psychology and history than they do now. I think all too many people focus on the math and the numbers and the analysis. That is all too many thoughtful people because there are a lot of people who invest without focusing on anything or at least they call it investing. In fact, all it really is, is speculating or gambling if you're not doing your homework. But I think taking a broader view. As Charlie Munger likes to say, building a latticework, where you can bring in ideas from other disciplines is really important. One of the things I always tell people, both outsiders and my own colleagues at the Wall Street Journal. Is that when I'm not working, I never read anything about finance or markets. I don't even watch financial movies, to be honest. The only two movies about Wall Street I've ever seen are Wall Street and The Big Short. I don't like using my leisure time to think about my day job. I think it's very important to focus your mind when you're not working on other fields and disciplines and ideas and cultural influences. That can broaden you as a thinker. I'll read history and biography and science and art and literature. All of which really, I think help me when I do turn back to my day job and try to analyze what's going on in the financial markets. So I guess the two wishes with the wand would be open your mind and broaden your mind.
Jim:	01:19:21	Fantastic. Unfortunately, you're talking to somebody who agrees with you, so we're not going to argue very much.
Jason:	01:19:30	Sorry about that, Jim.
Jim:	01:19:32	This has been fantastic and so much fun. Thank you so much for joining us.