



## Episode 147 - Influence, Persuasion and Reality with Scott Adams *Episode Transcription*

Paul Adams: Hello, and welcome to Your Business Your Wealth. I am your co-host, Paul Adams, founder and CEO of Sound Financial Group. And I am joined, as always, by Cory Shepherd, partner in Sound financial group, co-host of Your Business Your Wealth, and all-around good guy to have in your life.

[chuckle]

Paul Adams: Cory, glad you could be with us today.

Cory Shepherd: Me too, I'm glad to be back in my home studio, not traveling around, although it was fun to record an episode in the airport, just...

Paul Adams: Yeah. And for everybody who didn't hear that episode, Cory was in a private lounge at the airport. Not like, out in [00:34] \_\_\_\_.

*"If I only wanted to do a business to make money, it wouldn't be a restaurant."*

Cory Shepherd: It's not Cary Grant in North by Northwest. It's much more relaxed than that. Yeah, exactly.

[chuckle]

Paul Adams: We're gonna skip this weekend planning, we're gonna skip all kinds of stuff, because we have a very, very special guest today that is really crafted, the conversation we've had with our guest prior to this has all been crafted around bringing all of our entrepreneurs and founders a very different way to maybe look at a lot of things in life, and different framing. Scott Adams is joining us, and he... What a lot of people may not know is that he was valedictorian of his high school class. By his own admission he said, "Because the other 39 kids in his class couldn't actually spell 'valedictorian'."

[laughter]

Cory Shepherd: Perfect.

Paul Adams: He went to Hartwick College, where he graduated in 1979, and went on to get an MBA from UC Berkeley. He worked at Crocker National Bank in San Francisco where he was robbed twice at gun point. Really interesting stories about that I've had a chance to hear on his Periscope. Then from '86 to '95, he worked at Pacific Bell in San Ramon, California, and mostly in roles around technology and finance, but that created the set of experiences that had him write the Dilbert comic strip, some of which he did while he was there, and then continued to great success to one of the most financially successful comic strips in history.

Paul Adams: He's also written a couple of seminal books. One is, How to Fail... I just don't wanna say it wrong, How to Fail At Almost Everything And Still Win Big, kind of the

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*“In order to be a hypnotist, you have to accept that people are irrational creatures who mistakenly believe they are rational creatures.”*

story of my life, that he wrote back in 2013. And his most recent book, Win Bigly. Win Bigly: Persuasion in a World Where Facts Don't Matter. That was 2017, then later this year, in November, his latest book is gonna come out, Loser Think. So, Scott Adams, welcome to, Your Business Your Wealth.

Scott Adams: Thank you for having me.

Paul Adams: Now, to start with, we have so many questions that we wanna ask, and things that we think will be really valuable to our listeners and viewers, but could we... Could I just be quiet for a moment and have you guide us in the ritual I'm in nearly every day, which is the simultaneous sip with Scott Adams. Just the first time I get to do it live with you.

Scott Adams: Well, to do this, you're gonna need a cup or a mug or glass, possibly a container. You might need a tank or a chalice, a stein. Maybe a thermos, a flask. But you wanna fill it with your favourite liquid, I usually like coffee, but this afternoon or this moment I'm having water. So join me now for the simultaneous sip.

Paul Adams: I do it as instructed every morning. It leads to a better and healthier life. And since I got to bring Scott into the simultaneous sip, I think the first question has to go to Cory.

[chuckle]

Cory Shepherd: Well, Scott, a lot of our listeners are entrepreneurs, founders of businesses, and having done that yourself, either through your syndication business and your comic strip, your startup, which we're gonna talk about in a little bit, what do you think is the biggest challenge in the environment today, being a part of the world of business owners?

Scott Adams: Well, I tell you the thing that drives me crazy, 'cause I've been involved in a number of startups, and my own cartooning business is a big enterprise, it's amazing how much of your work is lawyers and contracts and insurance. I was a co-owner of a restaurant for a number of years. And most of my work was legal stuff I shouldn't have had to deal with, crime paperwork, and just endless taxes paperwork and insurance. So the paperwork burden is immense. And you can imagine a day when there'll just be an app to start a company, where it does everything you need for your fake business name, and do everything from filing taxes to getting you the right kind of insurance and everything. But, right now, just setting up a corporation, the average person doesn't know how to do that. Do I do a C corp, do I do... Is a LLC, is a S Corp, a C Corp, and none of this should be part of the system.

Scott Adams: Because why is it that there's somebody smart enough to know how to set up a legal entity that protects them? They're protected, but the person who didn't know

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*“There’s a reason that Dilbert doesn’t have a last name. That’s something I learned in hypnosis. Because Dilbert is supposed to be everybody.”*

how to do that is not protected. How about, if it's a business, you're protected? It just seems like all of our laws grew up, and they evolved for their own purposes, and they don't make sense anymore in 2019. So if you have, let's say, a technical start-up, and you wanna find a new engineer, you're pretty much gonna have to get that person from another start-up that wishes they hadn't lost them. So talent is the other big problem right now.

Cory Shepherd: Now, I heard you say past tense about your restaurant. How highly would you recommend the restaurant world as a business for people to get into?

Scott Adams: Well, on a scale of one to 10, it's sort of a zero.

[laughter]

Scott Adams: The one time to do it is if you have the motives that I had. My motives were, I could afford to lose it, I wanted the experience, and because I worked at home as a cartoonist I just needed some place to go. I needed a place I could leave my house, interact with people in a completely different realm, and I was also using it to get material for the strip. The people I work with probably didn't know that, but they were quite a gold mine of material. And so I was in it for lots of growth, learning, experience, I wanted to do something for the community, I wanted to create some jobs. So I had all kinds of interests beyond economic. If I only wanted to do a business to make money, it wouldn't be a restaurant.

[laughter]

Paul Adams: Well, and Scott, so many of our listeners are familiar with your work in Dilbert and they've read maybe some of your Dilbert books, or even read some of your more recent New York Times bestsellers. And yet, they may not be as familiar with your background in studying most of that time, I think the entire time you've been doing the comic strip, you've also studied persuasion, influence, and hypnosis. Can you just share a little bit about what got you started in that, and where you saw that show up as useful as you built Dilbert?

Scott Adams: When I was a kid, my mother used to tell us the story about how she gave birth to my little sister under hypnosis. And the story goes that she did not have any kind of medicinal painkiller. She had a family doctor, who was also a hypnotist. And now this effect of removing pain of childbirth is not something that most people could do with most subjects. Maybe 20% of people can be hypnotized to that level where they don't feel pain, but my mother apparently was one of them, or so the story goes.

Scott Adams: Now, to be fair, much time has gone by since these stories. I can't prove that she didn't have any kind of painkiller, but she was generally a straight shooter. She was not known to make up stories. So I suspect that that was a real story. Anyway, the

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point is, it made me interested in this thing called hypnosis that was some kind of a super power. And I thought, "Well, that's just one thing it can do. What are all the other things it can do?"

Scott Adams: So in my early 20s, I took a class to become a hypnotist. So it was an evening class for a number of sessions. And I learned to hypnotize people. And in that experience, there's a transformative thing that happens to the way you see the world that happens accidentally. And that is that in order to be a hypnotist, you have to accept that people are irrational creatures, who mistakenly believe they are rational creatures.

Paul Adams: Yes.

Scott Adams: Now, no that's a reverse of the normal view. The normal view is that 90% of the time we're rational creatures, but okay, 10% of the time we get worked up over something we're not too rational, we're biased. But 90% of the time, we're mostly rational. Hypnotists reverse that. You are irrational creatures fundamentally and you paper that over with these rationalizations that other people know are completely ridiculous, but you don't. You think you're making a sense. And you can see this in the political world, of course. We think the other side has some brain damage, and it doesn't matter which side you're on, you think the other side has an actual mental problem, because they can't see the facts that are so clear to you. And of course, they have exactly the same impression of you. So, once you realize you are not one of the gifted people who are free of this, living in a world of people who are messed up, but or rather you were that person too.

[chuckle]

Scott Adams: Once you realize that you are fundamentally irrational all the time, except for balancing your checkbook and finding a route to work, etcetera, the little stuff you're rational about, but not the big stuff that you care about. So that fundamentally changed everything. And then when I became a [10:03] \_\_\_\_, part of the communicator is learning to persuade. So I've always been a student of it, and whenever I could find something to read about it, or practice, or experience in that realm, I would just absorb it as much as I could, and then I use that in my work.

Scott Adams: I'll give you give you one Dilbert example where hypnosis is used. If you're a hypnotist and you're trying to take somebody, let's say, through a guided visualization, it would be a mistake to say, once you've relaxed them, it would be a mistake to say, "Now, imagine you see a tree. It's an oak tree." That would be a hypnosis mistake. It wouldn't be obvious to you why that's a mistake, but the hypnotists know, it's because when you said, "You can see a tree," the people imagine the first tree they imagined and it might not have been an oak tree.

Scott Adams: So if you say, "And it's an oak tree," they have to re-write it. But a

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hypnotist will teach you that if you say what people are thinking while they're thinking it, you form this instant connection, where your two brains are not that different. And that leads you over time with other technique, and lots of pacing and matching them and other things, that eventually the hypnotist or the influencer can make a change, and the other person will correspond to the change. So first, you match them. And once you're matched, you can start leading, and then the other person will follow you because you're sort of one brain at that point. People will not be influenced by people they think are on the other side and disagree with them on fundamental stuff. They just won't go there, no logic can get them there.

Scott Adams: So anyway, there are a bunch of techniques you learn that go into a cartoon. And the point was there's a reason that Dilbert doesn't have a last name. That's something I learned in hypnosis, because Dilbert is supposed to be everybody. So he doesn't... He sort of looks like he's a white guy, but I try to make nothing of his ethnicity. That's part of the reason you leave out the last name, so it doesn't narrow him down. And so you don't say, "Oh, I don't know that guy." The boss doesn't have any name at all.

Paul Adams: Yeah, just pointy hair.

[chuckle]

Scott Adams: He is the most frequent character, 'cause he's in almost all the scenes, and yet he doesn't even have a first name. Now, that's unheard of in the cartoon world, but the reason is I want people to say, "That's my boss."

Paul Adams: Yes.

Scott Adams: And I don't wanna give him a name so that they say, "Well my boss is not named Bob, so I guess that's not my boss." Now they don't think that. It's just a feeling you get about whether you can connect with it. So just the fact that you don't know Dilbert's company, you don't know the name of the company, the place he lives.

Cory Shepherd: The exact kind of industry.

Scott Adams: Yeah, you don't know what industry he's in except maybe there's some technology involved. So all these things are intentional omissions to let people read into it their own experience. And indeed, what is by far the most frequent thing that people say to me, is they say, "I think you must have a mole in my company 'cause it's like you're describing my life," and that's exactly what I wanted to get out of the audience.

Cory Shepherd: Well you pull that trick on us in a great way in Win Bigly. I think you describe hypnotism in your experience, and then the next sentence was, "I know what you're thinking, how can I find a hypnotism school?"

*"I've built up this productive amount of pain memory that if I do things that look like this, I feel pain. And so that helps me not do things like that cause I don't wanna experience pain."*

[chuckle]

Cory Shepherd: And I love it's that a... Your brain's gonna fill in the answer that you want it to be and you've got two ways to win and no way to lose right there, right?

Scott Adams: Right. Let me do that again. For those of you watching this right now you're thinking to yourself, "Man, I'd sure like to know more about hypnosis because it sounds interesting." That's what you're thinking aren't you? Now, the fact that I just called that out made you just go, "Dammit, I was thinking that."

[laughter]

Scott Adams: And the answer is you should read Win Bigly, or you could read... That's my book, or read Influence, as was just mentioned, by Robert Cialdini. Those are the two that get you started and you can even read Influence before you read Win Bigly, would be, that would be a good order to do that.

Paul Adams: Well, and speaking of Win Bigly, in that book you talk a little bit, Scott, about the second and third dimension, of how to look at influence or how to look at our political landscape right now. Could you give our audience just a touch of insight into that before they read Win Bigly?

Scott Adams: So I use the term second dimensional thinking versus third dimensional. Second dimension is where you imagine that people are rational and they use facts and reason to guide their lives. The third dimension says, "People aren't like that at all." And that would be, let's call that the Donald Trump dimension, where he has failed the fact-checking apparently 10,000 times. 10,000 times he failed fact checking, according to his critics. Now other critics say that 25% of the time people say he failed the fact-checking, that that itself is fake news, and they're over interpreting things.

Scott Adams: But nonetheless, if I could have told you five years ago, "We're gonna have a President who will fail the fact-checking, other people will call it lies, 10,000 times in two years. What would you think was gonna happen to the country?" Well, most people will say, "Well that's the end of the Republic. You can't have that, you'll lose trust, when nobody will know what he wants. It'll just be this big old mess."

Scott Adams: I predicted back in 2015 that not only would Trump become President against all expectations, but he would change more than politics, that he would change the way we see reality itself. And I repeated that and I said it in public 'cause I said I wanna be on record, I want you to hear me clearly [15:53] \_\_\_\_ won't look the same anymore, not just politics because people now understand that the 10,000 lies had no effect, no effect.

Paul Adams: Yes.



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*“Look for diversification of bosses whenever you can.”*

Scott Adams: No effect. Now that's exactly what I predicted. It would have no effect, 'cause we don't use that stuff to make decisions. Instead President Trump has modeled for us the alternative, the third dimension. He keeps things simple, that's good persuasion. He repeats them, all the time, that's good persuasion, he does things that seems slightly wrong, he shouldn't be saying it in that way. That's a little too far, that's a little too much hyperbole. Those are techniques to make you focus like a laser on his message until you don't even hear other people. What he knows that other people have learned from him and his experience or the experience of having him as President, that we are emotional creatures, and [16:48] \_\_\_\_ team instincts that really drive just about everything. And he's teaching us who we are as people.

Scott Adams: Fortunately, this is really important, fortunately, he is a benevolent personality, meaning that even if you imagine he's selfish, the only way that there could be a good future for President Trump, is if he does a really good job. I'm not reading his mind to say that any President knows that, their legacy is what they're all trying to get. So certainly he's using these techniques which if they were in the hand of a bad character would be seriously bad, like as bad as anything could be. I don't wanna use the comparison that makes you to turn into a joke, but if you were persuasive and you are a bad character, that would be really, really bad. As luck would have it, this President has a benevolent personality. I don't think that's gonna change at age 70 whatever. And so he's really taught us how these tools could be effective if used correctly.

Paul Adams: That is one, so thank you for that 'cause I think that that idea of the third dimension is easy for us to forget about and/or people operate without knowing about it and they wonder why things aren't working the way that logically they should, a client not accepting, or whatever. Another company not agreeing to the contract, employees making irrational decisions and realizes this third dimension that's not rational, it's just influence and persuasion.

Scott Adams: Right. And it's stuff like association. What is making you think of this when you're thinking of this. It's stuff like simply making you focus on things, because what you focus on becomes your priority. Before the election, I wasn't really thinking much about the border and border security. And now suddenly it feels like... Of course, it's exacerbated by people coming up from south of Mexico, but even before that, it became a national thing simply because we kept talking about it. So in my mind, it became important, when before I didn't even think about it.

Scott Adams: So he's the master, Trump is the master of making us focus where he wants us to focus. And by the way, to be fair because there will be people watching this and see I'm gonna do this again, the same trick, I'm gonna do it again. When I talk about influence, it's something that you become, it's not something you turn on and off. Once you learn how to speak in a certain influential way, it's just the natural way that you speak. So for those of you who are watching this and saying, "Oh he's just a Trump

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*"If you're going to predict, you should always predict against the slippery slope."*

supporter, he's in the bag, he'll say anything that sounds good for Trump," I say exactly the same thing in terms of talent, about AOC. AOC has all of the talent of Trump. And she's younger, and she's female, which any way you look at it those are positives right now in terms of getting people's attention.

Scott Adams: So she has all of his tricks and she is using him even this week. And if you're seeing people criticizing AOC because she used a phrase that was, "She went too far this time. This plan is totally impractical, AOC. You can't do this, AOC. AOC, you don't know your history, you've forgotten this." And what happens? Tomorrow, more people will know AOC, more people will be following her on Twitter, more people will be talking about the thing she told us was important.

Scott Adams: Now, while we're talking about it, she can also often soften what she's doing. Good people can get involved, and eventually rational things can come out of it, but she doesn't care too much, nor does President Trump, about the details, the facts, the fact checking, how it made you feel. She is just amazing at controlling attention. And here I am talking about her. And your audience, half your audience just said, "AOC! I'm turning off this podcast right now."

[laughter]

Scott Adams: "I will not sit still while anybody says anything good about her talents, because I don't like her politics." And of course it's exactly what people say about Trump.

Paul Adams: You shattered my universe around observing people differently when you brought forth the freshman congressional photo where she was wearing red in the very front, and how that was. And somebody else had red on but they had put on a blazer or something, like because they realized she was taking the stage. And even that interchange with the other freshman congress person, even that was some degree of influence that she's playing that domain. But I think Cory's got a little bit of a pivot for us on the way that we end up getting influenced here.

Cory Shepherd: Well, we talk to our clients all the time about how they're trying to make their financial futures work out according to their plans, and we've got a whole environment out there that has its own designs. And Wall Street gets a lot of, a lot of bad press, and some of it's rightly so. But I think that Madison Avenue, the advertising machine that we have in our country, are a bunch of very skilled hypnotist and persuasion artists. How would you give our listeners some ways that they can avoid getting drawn into buying the things that maybe a marketing machine wants them to buy or go down the path at the media marketing machine wants them to go versus the future there after?

Scott Adams: Well, nobody is immune from influence. That's the first thing. Even if you see it coming, it still works. The example I like to use is that [22:38] \_\_\_\_\_ it's telling



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yourself, "I'm no fool. I know that's basically \$2." But it isn't.

[chuckle]

Scott Adams: It doesn't matter that you know the trick, it doesn't matter, it's still going to work. And you can see that with both AOC and Trump, everybody knows the trick. They're using hyperbole, they're... Blah blah blah, go down the list. We all know the tricks now. Still works. Makes no difference that you know the trick. That's the first thing to know.

Scott Adams: Second thing is what I call the talent stack approach to making yourself more valuable, both economically and just as a human. Is that the more you know about the various fields for example, knowing a little bit about how business works, you don't have to be Warren Buffet. But just to know what business models look like, what business people care about, how they think. Knowing how an economist thinks, knowing for example, things like sun costs, knowing how to compare things, knowing about the time value of money. Fairly simple concepts. You don't have to be an economist to know the basics of how they think about the world.

Scott Adams: But you should also know a little bit about history, a little bit about creativity, art, and persuasion. You should study it. If you've studied enough of those things, you have at least a little bit of framework to say, "Oh, this is one of those. And one of those probably fits this frame even though they're telling me it's this." So I would say the broader your education, the better protected you are. But again, nobody's totally protected.

Scott Adams: Now, the minimum you can do is to identify a scam early, and I think you can learn to do that so you can identify complete fraud by these tools and specifically if you're studying persuasion, you can see which tool they used and you can tell what they're trying to make you look away from. So if you know a magician is trying to make you look at this hand, you have some chance of saying, "Okay I get it's a magician and he's using diversion. Let me look at the other hand"

Cory Shepherd: Yes.

Scott Adams: But beyond that, you don't have complete control over how much you're persuaded, as long as you accept the message. You could turn it off, that would be effective and just not have exposure to it, but if it gets to you, it's probably gonna work the way it was designed, 'cause these things are now... The big story that people don't talk about, except me [chuckle], is that our ability to influence other people, we've always had that. You know, you can go back a thousand years and you'd find somebody who's a good orator and whatever, they can influence people, and then through the '60s and '70s there was advertising and we could start to measure that our advertising was working or not.

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Scott Adams: But now, because we can measure even the difference in a word in a headline, we can measure the difference of whether it gets clicked, if your image is on the top left, which is the clicky place versus the bottom right where people look at the least, we know that. We know what words, what colors, what everything and once you know all of those things you're getting closer and closer to complete mind control. We're about halfway there, but you cannot compare an advertisement in 2019 to an advertisement in even the '80s. In the '80s it was kinda guessing and the people who became famous advertisers will tell you that they had skill, but you know, it was a lot of people guessing, and some of them weren't gonna work. And some people...

Cory Shepherd: It's like an active asset manager. In retrospect, some look like they know what they're doing, but it's totally random chance.

Scott Adams: Yeah, yeah. Yeah, actually that's, I was almost gonna use that example, is that if you look at any, let's say, fund manager, an active fund, and they say, "Look how I did this last year, I had the best performance." Well, if you were educated you'd probably identify, "Oh, they cherry-picked the period, and they wouldn't have said this a year ago because their five-year plan, you know, their five-year performance wasn't so good." And then you also say to yourself, "Well, compared to what?" So there are things which if you're educated you know to ask the right question, "Compared to what? Did you cherry-pick it, did you conclude your fees, did it include the churn, did you include the taxes?", these things become your questions if you have a little bit of education.

Paul Adams: And before we go to commercial break, and I am just curious, you may already be aware of this, but I know not all of our audience is, not only do active managers have the ability to cherry-pick, to not count certain things, but if they have two sets of mutual funds and we could just pick on a big mutual fund family that rhymes with maybe popenheimer. Anyway, but if you look at one of these mutual fund companies and they can take one mutual fund that's doing really well and another one of their same mutual funds is doing really badly, and they can fold the one that say, did negative 10% a year the last three years, and they can fold it right into the one that did really well and they just send you a very nice letter that goes something like, "Hey, because these are both mid-cap funds focused on growth, similar management teams, for the sake of eliminating costs and being more efficient for our shareholders we're just combining them."

Paul Adams: But what they don't tell you is they get to delete, they don't average the return to scale, they get to delete the negative returns of the fund that they closed from their history, similar to like a kid going to college that can do really poorly and just drop those classes.

Cory Shepherd: With that we'll take a break for a quick message from Sound Financial Group and come back with Scott's response. We'll be back in a minute.

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[music]

Paul Adams: Hey everybody, I had to interrupt our show for just a moment to share with you something new. We've designed a new white paper that we think is gonna add you value and the way that you think about money. It's three of the biggest mistakes we see people make and six ways to fix them. Now, for some of you, you might not want the white paper, you might be ready to have a conversation with us and that is okay, you can email us at [info@sfgwa.com](mailto:info@sfgwa.com), that's [info@sfgwa.com](mailto:info@sfgwa.com). Find us on the web at [yourbusinessyourwealth.com](http://yourbusinessyourwealth.com), and any time on any of our social media platforms, send us a message and we can get you this white paper.

Paul Adams: But in the meanwhile if you want to just skip over the white paper, have a philosophy conversation with us, we're happy to do that with you, just let us know, philosophy conversation, the subject line and if you want this white paper, just put white paper in there and we'll immediately get out to you this white paper on the three biggest mistakes that we see people make and the six things that you can do to fix them. And now back to our show.

[music]

Cory Shepherd: Welcome back to Your Business Your Wealth, with our special guest, Scott Adams. And Scott was, in a surprise turn, being one of our most elusive guest on the world of investing. Scott, we're talking about mutual funds, and you had a few more comments. I'm very curious hear.

Scott Adams: Yeah, I was saying, if you're trying to be immune from being hoaxed or persuaded to something that isn't true, it helps to have experience across fields, and I wanna give you one concrete example, because it's very provocative. So I'm gonna use the AOC and President Trump method to get you all twisted up here, because I want you to think about me and follow me on Twitter.

Cory Shepherd: Yeah, [chuckle] I love it.

Scott Adams: So here's the thing, I have a background as we just said in economics and business and investing, etcetera. And when I look at climate change models I can't help but take the, what I learned from the fields of economics investment and look at those models. And I'll give you a story, a real story, a friend of mine years ago called me and said, "Hey, there's this newsletter I get about what to invest in, and they keep picking winners. They've got three winners of these tiny stocks that nobody was looking at and they went through the roof and now they want \$1,000 to tell me what their next one is. And since they got three in a row I'm totally gonna give my \$1,000, do you wanna go in with me and we'll split it?"

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Scott Adams: And I said, "Let me explain how the scam works."

[laughter]

Scott Adams: I said, first of all there're probably a number of ways to do this, but the most famous way is that somebody will send mailing of say, three stock predictions. These three will go up and they'll send them to a bunch of people. But they'll send different groups, different stock predictions. Some of them, just by chance, are gonna get a good prediction. Those people say, "Huh, we got one right, but it's just one. So next... So then they do the next mailing just to the group who coincidentally got the first one right, and they get more guesses, and some subset decided that will get two in a row, and then a smaller subset of that will get three in a row, completely by chance.

Scott Adams: The person who gets three in a row and doesn't know that the other ones were all wrong is gonna say, "These guys are magic. I gotta give them my \$1,000, it's certain money." Now, take that knowledge that that's a well-known scam for people who have educated themselves in this field of finance and investing, and then the scientists say to me, "Hey, I got some models." And usually the models that have...

S?: Hey everyone. This is Jeff Miller, Vice President of Client Selection at Sound Financial Group. I wanna let you know that I'm interrupting this podcast for a good reason. If you're someone who is enjoying the podcast, if our philosophy is helping you better think about money, then this offer is for you. As a listener of "Your Business Your Wealth," we wanna give you access to our new white paper, Money: Where Humanity and Hard Numbers Meet. We wrote this in response to some of our most asked questions and frequently addressed topics in our client meetings. Click the link in the show notes or go to [sfgwa.com](http://sfgwa.com) to download your copy, and share with someone you think would enjoy our podcast.

Scott Adams: Now let me careful, before people flip out watching this. I'm not saying that climate change is not real, I'm not saying it's not a problem. I'm a non-scientist, I can't tell. I do know that it is exactly the sort of thing you shouldn't believe on face value. It might be true, and we should certainly take it seriously 'cause the level of the perceived a threat. But you shouldn't automatically think that because people you trust are giving you information and they all seem to agree, and it seems like everybody is on the same side and all these good things, and my God, it seems like all the scientists seem to be telling us something similar, doesn't mean as much as you think it is.

Scott Adams: And if you have experience in finance, you see it instantly. If you have experience in the arts, it's invisible. If your experience is the arts, you say, "Why the heck [33:40] \_\_\_\_ all the scientist are saying this?", your experience a little limited in the arts. You might be right. And again, I'll say that as clearly as possible, could be the artists are right and the scientists are giving us a really good look at the future and we ought to take it seriously. It's possible. How could I know? I'm not a scientist.

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Paul Adams: That idea of the confirmation and survivorship bias and how they can concentrate together. We speak with our clients about that a lot, like even something as simple as investing in some of the opportunities that come to our clients because of their income and the amount of networth they have, they start getting pitched all kinds of, let's put in quotes, "deals" for things that they could invest in. And oftentimes those folks are really great influencers.

Paul Adams: Me and one of our advisors, Jeff, who I've shared with you about, Scott. He and I were on a call where one of our clients, a successful dentist, was getting pitched something, and he asked us to sit in with the pitch. And we were messaging each other back and forth from Cialdini's book, All the Weapons of Influence. Oh, that was scarcity, that was authority, that was, this was social proof. And it was a text book, and the guy was terrible. But you couldn't help even as somebody who knew what he was pitching. The actual product was awful. It didn't change the fact that, to your point, I felt a little bit hooked.

[chuckle]

Paul Adams: And I imagined it you probably have and continue to get pitched "deals," all the time. What thinking could you offer to our audience and around this idea of how do you keep yourself from getting hooked, excited and placing capital or placing bets on things that maybe would not have been good bets if some of the weapons of influence from Cialdini's book weren't being deployed? And how do you protect yourself against that? And how do you decline, politely or otherwise?

Scott Adams: Well, the best tool I have in my arsenal for that sort of thing, is that I'm old, meaning that I have accepted some deals in the past. It looked really good, it looked really good. For example, my most famous bad investment was, what was the home delivery grocery service that was a scam? I can't remember, but you'll think of it and...

Paul Adams: I remember you writing about it.

Scott Adams: Yeah. And the management was saying, "We've already proven our model in one location, we're just gonna now duplicate this model because we know it works in one place, it's gonna be like Amazon, it's gonna be like FedEx. If it works in one place, you just make it big." So I put way too much money in that 'cause I thought, "I'm getting in on the next Amazon, and people don't see this home grocery delivery is gonna be the thing." Now, 20 years later, it is the thing, but took a while to get there.

[chuckle]

Scott Adams: Now, what I didn't count on is that the management were a bunch of crooks, and the first model didn't work, and it was all scam and everything they had

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been saying was a lie, and shareholders ended up suing them, and they went out of business almost instantly. Now, if you haven't had that happen to you, you can't quite intellectualize yourself to the point where you don't believe the next pitch. But if it happens to you a few times, you can say. "Well this would be three and row. I think maybe maybe this time." But it isn't the thinking that gets you past it, it's the pain.

Scott Adams: So, I built up this productive amount of pain memory, that if I do things that look like this I feel pain. And so that helps me not do things like that, 'cause I don't wanna experience pain. If you're young, I would tell you to look into diversification and unmanaged equity SP-500 types, equity funds that have low fees. Now as an economics major and a business guy in my education, one of the most useful things I learned is that stocks can replicate pretty much any good investment. If you can't replicate it with a basket of stocks, it's probably a little sketchy. I don't do puts and calls, I don't do any exotic anything. If it isn't a basket of stocks that represents a big diversified group, I don't call it an investment.

Scott Adams: So part of my defense is words. Because we're so word-oriented that if you label something with a good word, you're more likely to do it than if you'd label that same activity with a bad word. That's how word-influenced we are. So I use that little trick of putting words on things that will make me like them or not like them. So I say, "If it's unmanaged diversified fund that it is mostly American stocks, that's called an investment. If I want to buy a house, that's called buying a house." If I wanna put a bunch of money in a start-up, that's entertainment, or it's speculation.

Paul Adams: Yep, that's what we teach our clients, is...

Scott Adams: But it's not... Right.

Paul Adams: That it's speculation if it's gonna have some outsized return, especially if you can't find that your relationship or human capital, something you specifically bring to the table...

Cory Shepherd: Your talents, in some way.

Paul Adams: Yeah, is somehow raising that return bar. If that return bar is being raised beyond what you would get in what we call a passive structured investment portfolio, which just means that we just own like 13,000 different securities, with very, very low turnover and super low cost. That is, which by the way, when you've mentioned your philosophy around investments in, I think it was, How To Fail At Almost Anything and Still Win Big, I, like... The smile I had on my face the rest of the day after reading that was wonderful.

Scott Adams: Good.



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Paul Adams: And it followed by never, your tongue in cheek, Never Accept Investment Advice From A Cartoonist.

[laughter]

Paul Adams: But I would offer that advice that you just gave, of, watch what you label things as speculation versus investment, is brilliant. Let's maybe shift gears just a little bit, and Cory and I wanna talk to you a little bit about Interface by WhenHub. And what showed up for me is, if I'm gonna take a stab at it, you feel free to correct me or say I have it dead wrong in front of our audience, they're used to that, usually Cory does it to me, but the idea being is they...

Cory Shepherd: Gently.

Paul Adams: We have a list of experts and they're, you know, they put their bios on this app called Interface, I-N-T-E-R-F-A-C-E, Interface by WhenHub, and I can look through there, find an expert I need in a particular area, and effectively FaceTime with them, or video chat with them about my topic and pay them in as little as 15 minute increments, the price by which they've set. Is that a pretty good summary?

Scott Adams: Yeah, that's exactly it. And what we're trying to do is fill in that space for things that you can't Google, and that would be really hard to find in person, some kind of expert who would talk to you for 15 minutes. I can't tell you how many times I've been involved with something, for example, I tried to build a sound studio at my house. If I could have spent, this was before our product was launched, and if I could have spent a half an hour with somebody who actually knew how to do it, and could say, "Look, there's all this equipment in the world, if you Google it, it's just gonna be lies, and the companies themselves populating blog posts that aren't real."

Paul Adams: Oh my gosh.

Scott Adams: Then there's nothing to learn, that you can't learn anything by researching it, you can't get their...

Cory Shepherd: Oh no.

Paul Adams: I had that experience when we built this podcast, originally. Like you're just... [chuckle]

Scott Adams: Right. And even today, if you tried to figure out how to build a podcast studio, the most common advice I get is these various systems that I did try that were so unstable, they were useless. Had I talked to a real person, I would have asked that question, "Are they stable? Do you need an engineer?" And almost certainly they would've said, "Oh you don't have a dedicated engineer? No, you don't wanna use this

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at all."

Paul Adams: Right.

Scott Adams: But you don't see that in the Google search, right? It's just that most basic stuff. When I became a cartoonist, I tell this story and because you can see how this would have made sense if the app existed, when I wanted to become a cartoonist I had no idea how, and it was pre-internet. How am I gonna find a cartoonist, how am I... I can't search it, there's just nowhere to find out how to be a cartoonist. But I got lucky, I came home and turned on TV and there was a PBS show about how to become a cartoonist.

Cory Shepherd: Thank you, PBS.

Scott Adams: Exactly when I needed. Now, I missed the whole show, but I knew what it was about from the closing minutes, and I wrote a letter to the host of the show and said, "Can you give me some advice?" And he told me what book to buy, to... Tells me how to submit things and what materials to use. His 15 minutes of just writing stuff on a piece of paper and mailing it to me, got me on this podcast. I mean, it created Dilbert, it created a massive enterprise. I've gone on to help with my own advice, other cartoonists who have gone on to massive success. So this gigantic economic ripple effect was because I could find one expert who gave me maybe three pieces of advice that were so enduring and useful that everything else became possible from that just little bit of advice.

Scott Adams: So I wanted to reproduce that for... Imagine you're a poor kid, and in an inner city, but let's say you're a good student, or you're just, you're ambitious, you don't even have to be a good student. Who do you talk to, that tells you, "Do this, do that." That's partly why I wrote the book, *How To Fail At Almost Everything And Still Win Big*. It's how to create systems for success. But who tells you to read that book?

Scott Adams: Who can give you the summaries to make you interested in reading, and so you could build some systems. We have this gigantic gap between... There are all these people who would like just that little bit of advice to get them off of square one, it can't be Googled, and you can't find a human, so we're trying to fill that gap. Now our challenge of course is the chicken and egg thing. It turns out we got tons of experts, but it's hard to get people to know about the app and call up those experts, so that's what we're working on now, building the awareness.

Paul Adams: Well, it has been exceptional, I think, for entrepreneurs to be able to get that targeted advice, which could be like I'm thinking of investing this piece of commercial real estate, who can I ask questions of, what I need to be aware of. Maybe even to that last question, we gave about the quote on quote deals that I'm being offered, like bring somebody... I'm thinking about investing in a crypto-currency, maybe I

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can pull up a crypto-currency expert on Interface by WhenHub. So...

Scott Adams: Right.

Paul Adams: One last thing that I think could drive some drift for our customers, and I don't know if you see this as a potential thing that our founders should be aware of, but the idea that, right now, someone listening has a set of employees with specialized knowledge who only have one customer at a time, which is their employer. Now, as a business owner employer, I have a certain amount of security in that I don't have one customer, I have a whole bunch of customers, so if somebody gets super angry with us and leaves, or really, if somebody sends me a text saying, "You had that Scott Adams on your podcast, I'm never gonna be your client again." Okay, but it's not that big of a threat, but that employee has one customer right now, the employer. How could Interface change that, and what should employers do you think to adapt to it?

Scott Adams: Well, in general, I recommend diversification all over the place. So not just in your investments, but you wanna diversify your boss. Any time you have one boss, you're in a bad situation. Now, sometimes people have a great boss and it's good, but I would say there's nothing that will make you less happy than having a boss, just in general. And so in my case, similar to your own, I have maybe 100 million bosses. There are people who individually will decide to watch my stuff or not, and that gives me the ability to talk on topics that I couldn't ordinarily talk on. I can say things that I... 'Cause I can afford it if everything goes wrong. So diversification.

Scott Adams: Now, in terms of using interface for those people who want to create a job out of it, and it's easy to do it part-time until you see if it works, they would have infinite number of people who could potentially use them for their information, and if any one of them doesn't like it, well, it's not gonna make that much difference. So that, look for diversification of bosses whenever you can.

Cory Shepherd: Love that.

Paul Adams: And I was gonna, the one little thing you said there, we talk with our clients about not working toward retirement but working toward what we refer to as definite financial independence and a work optional lifestyle. What occurs to me in the way you say that is diversifying your customers, is that in some ways you diversify your customers also by the strength of your balance sheet. As you mentioned, like I can talk about things not everybody else can talk about 'cause I don't... If even if 100 million people all decided instantaneously they didn't like me, you can still pay all your bills.

Scott Adams: Yeah, and all of this is a subset of understanding that humans are bad at analyzing risk. We think we're good, but we should protect ourselves from our own illusion that we're good at it, by diversifying. I don't know which stock's gonna go up. I do have 20 years of occasionally guessing on individual stocks. So far I've been right once.

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[laughter]

Cory Shepherd: Which unfortunately, people remember that one, and then they just keep...

Scott Adams: Sort of like golf. If you have one good hole you're like, "Well, I think I'm gonna go back." You have 17 bad holes, but you still go back 'cause you remember that one good one.

Paul Adams: Amen. Well, and later this year, your new book, Loser Think, comes out. Is there anything that you'd want our audience to know, or what they should be looking for? One, I would highly recommend after having read your two other books to read this one. I frankly would like to have you back for one whole conversation just on systems thinking, and what's changed in my life in the last month of just taking that on. But with, Loser Think, what... Well, number one, as always, great title.

Cory Shepherd: Great title.

Paul Adams: I'm sure no thought whatsoever went into the persuasion and influence it would be on all of us.

[chuckle]

Paul Adams: And yet, what do you think people should be looking for?

Scott Adams: So, Loser Think is about unproductive ways of seeing your reality in unproductive ways of thinking. So it teaches you a little bit about how people in different disciplines think so that you have more windows to look in the house. So it's just broadening your ability to see things the way other people would see them. In a very simple way, you don't have to become an economist, you don't have to become a historian, you just have to learn the basics of how they think about things. But I go after a lot of the most basic misconceptions that are considered common knowledge. I'll just give you one example, the slippery slope. People say, "Ah, it's a slippery slope. If this keeps happening, if I start mowing my lawn, the next thing you know, I'm gonna be shaving my dog."

[laughter]

Scott Adams: "Because one thing leads to another." And I try to point out that the slippery slope is not a thing, it doesn't exist. Everything is a slippery slope until something stops it, and if it doesn't look like something's gonna stop it, and going in that direction forever would be bad, something pops up to stop it, every time. [chuckle]

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Scott Adams: If you're going to predict, you should always predict against the slippery slope. Take for example the shadow banning and stuff of certain voices on the internet. Yeah, it looks like it's going in the wrong direction, but it also looks like it's hitting a wall right now because there's some point where the public will just say, "YouTube isn't the only place to put a video. Twitter isn't the only place I can post a message." So there's always a counter-force that'll pop up when it becomes important for that to happen.

Scott Adams: So just knowing that that's just always the case, you can still say, "I'm worried about it," but it's, the worry is what makes the counter-force pop up. So I don't recommend you stop worrying, but if you wanna bet on an outcome, never bet on an infinite slippery slope. I don't think that's ever worked.

Paul Adams: Oh, that's a great point. Great point. Well, Scott, best ways for people to get a hold of you and follow you is, you mentioned earlier, Twitter. So is real Scott Adams?

Scott Adams: No, YouTube is, you just search for Real Coffee With Scott Adams and you'll find me, and on Twitter, I'm scottadamssays, all one word, Scott Adams Says.

Paul Adams: Very good, very good. Well we will get those also in the show notes and on the website for anybody who wants to take look that. Scott, I'm super thankful that you could be here today, and I hope for all of you, what you're able to notice is what you might not normally notice. If you get a chance to tune into Scott's daily Periscope, either replayed on YouTube or live on Periscope, is also live on Twitter. I think one of the things you'll notice most is his ability to shape the way that you might think about things. Not necessarily, he's not after saying, "Believe this or believe that," but much more about how are you thinking about these things?

Paul Adams: And I think for business owners and entrepreneurs, this is one of those key things we have to do, is both building our talent stack and putting ourselves in a position where we can think clearly, where we can take into account other people's opinions. And ever since back when Cory and I really brought John Modine on the show and had him share with us about what we do to deal with our aging brain, he said, "The single best thing is to listen to people that don't think the way that you think and may disagree with you vehemently, because it keeps your brain healthy.

Cory Shepherd: Yup, that you disagree with very much, that you disagree with and can get into friendly, heated debate, yeah.

Paul Adams: Yup. And I think the more that we can do that as business owners, entrepreneurs, we're gonna get the best possible input, the best thinking from our employees, the best thinking from our opponents in competition to then be able to build our businesses, build the autonomy and freedom that originally had you go into business to start with.



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Paul Adams: And we just hope that not only are you able to pick up books like, Win Bigly, great book on influence and a very different take on the last election, as well as, How To Fail At Almost Everything And Still Win Big, and, Loser Think, coming out in November. These books will contribute significantly the way you observe your own life and the way you observe things happening around you every day. And as always, we hope that this episode has been a contribution to you being able to design and build a good life.

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