Wise Fool Strategy #1

Buck the Crowd



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"Whenever you find yourself on the side of the majority, it is time to pause and reflect."

— Mark Twain, American Writer

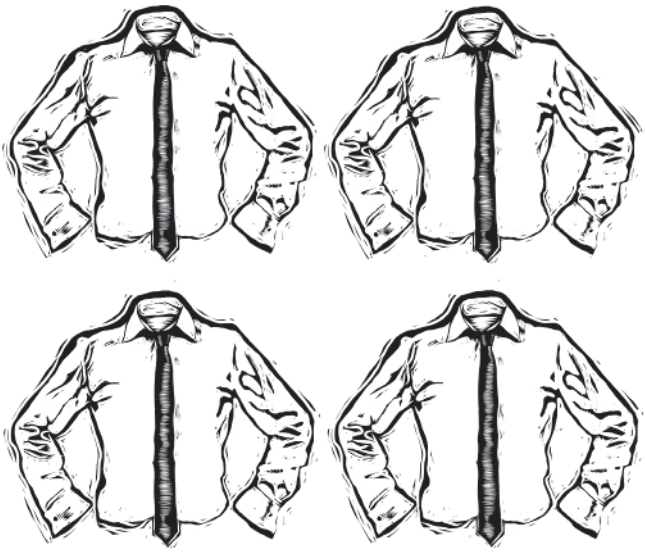
Humans like to flock! Why? Being surrounded by like-minded people is reassuring and pleasurable. It can also make us feel safe and provide a sense of well-being.

Wise Fools, however, know that following the herd is a poor way to get a clear picture of what is truly going on. They say it's important to pay attention to your own thoughts and observations rather than caving into group pressures. Indeed, they believe it is a good strategy to be a contrarian and go against the grain. This means taking time to look for the drawbacks in the majority opinion and to find the merits and possibilities in the minority one.

Most of us, though, follow the crowd for much of what we do. This was captured countless times in the classic television program, Allen Funt's *Candid Camera*, a show where concealed cameras filmed ordinary people in familiar yet unexpected situations. One of my favorite episodes has a woman waiting patiently for an elevator in an office building. After a few moments, the elevator arrives and the doors open. As she looks in, she sees that everyone is turned around, facing the rear of the elevator. She's a bit confused at first, but she quickly figures that the other people must know something she doesn't, and so, she, too, gets into the elevator and faces the rear! This scene is repeated with other "victims" who also face the rear. These scenes confirm what a lot of life teaches us:

The best way to get along is to go along.

Think about it: we are all subject to group pressures. If you examine your own behavior, you'll see how much you conform to the situations you encounter on a daily basis. Let's suppose that you're a pedestrian standing at the corner of an intersec-



tion in a big city. Eight or ten other people are also standing there with you. The "DON'T WALK" sign is flashing but no traffic is coming. Then one of the pedestrians ignores the sign and crosses the street against the light. And then another goes, and then another. In no time, all the other people have crossed the street against the light. And you do too, because you would feel really stupid being the only person still standing there.

Without conformity, the fabric of society would come apart. One of the costs we pay for the many benefits of our social existence is a piece of our own individuality. There are thousands of rituals we go through where our behavior must conform to the people around us—everything from the correct pronunciation of the words we speak to how close we can get to other people when we are speaking to them. If you don't conform, you might disrupt the flow of the everyday routines happening around you.

I got a serious lesson in conforming to standards by working as a machinist on a production line in a defense factory. I ran a high-speed drill press making pinhead-sized holes in thumb-sized blocks of military-grade steel. Several milling procedures after mine ultimately turned these components into bomb triggers. The holes I made had to be drilled in *exactly the right locations every single time*. The consequences for nonconformance were sobering: either an expensive piece of waste, or worse, a faulty bomb trigger with the potential to detonate prematurely. My supervisor was ever-vigilant about my work. And so was I!

Conformity has another benefit: in those circumstances where we don't know our way around, what do we do? That's right! We look to others for the right way to act. Suppose you're in a gym that's new to you, and not sure how to use a particular piece of equipment. What do you do? Probably look over to the person next to you and try the same approach she is using.

My favorite conformity story is about the 4th-century AD Christian philosopher St. Augustine. As a young priest in Milan, Augustine went to his bishop, Ambrose, for help with the following issue. Augustine was planning to spend a few months in Rome. His problem was that in Rome it was customary to celebrate the Sabbath on Sunday, while in Milan it was celebrated on Saturday. Augustine was confused as to which was the right day. Ambrose solved Augustine's problem by telling him:

When in Rome, do as the Romans do.

The Wise Fool says this is not bad advice when applied in moderation. There can be a dark side, however, to excessive conformity, especially when it's forced on those who have

non-conforming views. A frightening depiction of this is Don Siegel's 1956 film, *The Invasion of the Body Snatchers* (based on a science-fiction novel by Jack Finney). This work has long been regarded in popular culture as a cautionary tale of the dangers of coercing everyone to think in the same way.

The plot: Alien seeds fall from the sky, landing in a farmer's field in the small California town of Santa Mira. The seeds then grow into plant-like pods, and inside them grow humanoids that take on the memories and outward appearances of the neighborhood's real humans. When the humans go to sleep, the "pod people" take over their bodies. The pod people repeat this process by growing new pods and transforming *their* neighbors. Thus, the population of pod people grows quickly. The pod people look just like the real humans they've copied except for one noticeable difference: their personalities seem "flat."

The film's protaganist is Miles Bennell, the town's doctor. Many of his patients have recently complained that their loved ones appear to have been replaced by "emotionless impostors." Miles then runs into an old flame, Becky Driscoll, and they chat about how the people of Santa Mira seem changed in many, small ways. As things progress, Miles and Becky finally figure out what's going on. But there's a danger: they're among the very few who haven't been transformed. Unfortunately for them, the majority will not leave them alone.

The leader of the town's pod people community is Dan Kauffman, a psychiatrist. He goes to Miles's office to encourage him and Becky to take a "brief sleep" so that they, too, can awaken and join the ranks of the transformed. Kauffman explains to Miles the virtues of living in a society without human

emotion—it's an "untroubled world." He says that if everyone were like them, there would be no conflict, no disharmony, and no hate. It's wonderful when everyone is the same: no love, no desire, no ambition, and no faith. To Miles, this is a recipe for stultifying conformity, and he tells Kauffman he wants no part of it. To which Kauffman replies:

You have no choice.

At the film's climax, Miles and Becky escape from his office, and venture out on to the town's main thoroughfare, where they are forced to walk among the "new breed." To pass as a pod couple, they need to be emotionless and expressionless. As Miles warns Becky: "Show no interest or excitement." In other words, don't let anyone know what you're really thinking or feeling.

And then! A dog runs into the street in front of a speeding truck. Becky has a basic human reaction: she screams in horror. By doing so, she betrays herself and Miles. The pod people recognize that they're humans, and turn into a vicious mob bent on tracking down and destroying them. So much for nonconforming opinions in Santa Mira's brave new world! The enforcers will silence them.

Of course, new ideas and novel solutions—not to mention good decisions—are not born in a conforming environment. Whenever people get together, there is the danger of "groupthink." This is the phenomenon in which members of a group are more interested in getting the approval of other group members than in trying to generate innovative solutions to the problems at hand.

There is a delightful groupthink story about Alfred Sloan, the visionary chairman of General Motors. An idea was proposed at a board meeting he was leading, and everybody became excited about it. People said things like, "This will be highly profitable," "We'll smash the competition with this," and "Let's get it done as soon as possible."

After more discourse, Sloan said, "Let's vote on it." As the vote went around the table, each board member voted "Yes" on the proposal. When the vote came back to Sloan, he said, "I, too, vote 'Yes' and that makes it unanimous. For that reason, I'm going to table the motion until next month. I don't like what's happening to our thinking. We are looking at this idea from just one angle, and this is a poor way to make decisions. Therefore, I want everyone to spend the next 30 days examining this proposal from several different points of view." Sloan obviously understood that:

When everyone thinks alike, no one is doing very much thinking.



A month later at the next board meeting, the proposal was brought up again. This time it was voted down. Provided with an opportunity to break through the effects of groupthink, the members had come up with alternatives.

We find groupthink (and its sibling, the "herd mentality") everywhere: music, art, entertainment, fashion, education, politics, and, of course, investing. I remember one time visiting my cousin, a North Dakota farmer. He showed me a newly constructed pig cellar for breeding pigs. It was gorgeous! I asked him if he was happy with his new investment. He answered, "I would be except that the building inspector told me that everywhere he goes he sees people installing pig cellars. In eighteen months there will be a glut, and prices will go down." He was right: a year and a half later, prices for his pork products plummeted.

Perhaps the most famous example of the herd mentality was in Holland in 1634–1636 in which a sizable chunk of the normally sober-minded Dutch population fell into the grip of "Tulipmania"—the rage to own and invest in tulips. As the craze played out, prices for tulips—especially rare species—reached dizzying heights as people from all walks of life sold their possessions to procure the capital to speculate on tulip bulb futures. This frenzied gamble to "get rich quick" ended badly for those involved as tulip prices collapsed significantly faster than they had risen, and many people went bankrupt.

Along these lines, Edwin Nourse, who had a long career studying agricultural economics before becoming the first chairman of the (U.S.) Council of Economic Advisors, had this pertinent warning:

When all the forecasters agree, that's the time to watch out.

Scottish journalist Charles Mackay, an early student of mass psychology, investigated groupthink in its many forms: bubbles, manias, mobs, hysterias, and crusades. Summing up his ideas in his book *Extraordinary Popular Delusions and the Madness of Crowds* in 1841, Mackay observed: "People go mad in herds, while they only recover their senses slowly, and one by one."

Investor John Templeton, the man *Money* magazine called "the most successful global stock picker of the 20th century," had a deep, intuitive sense of large group behavior. He was also fortunate to own a strong contrarian streak. He provided this explanation of his investment philosophy: "Bull markets are born in pessimism, grow on skepticism, mature on optimism, and die in euphoria. The time of maximum pessimism is the best time to buy, and the time of maximum optimisn is the time to sell. If you want to have a better performance than the crowd, *you must do things differently than the crowd*."

What does the Wise Fool recommend to combat the herd mentality? At the beginning of this section, I quoted Mark Twain's advice to consider alternatives when you find yourself in agreement with the majority. The Wise Fool would go one step further and say "Buck the crowd" and adopt the contrarian's policy of:

When everyone zigs, it's time to zag.

Here's an example of a person who "zagged." In August 1969, a few days after the Beatles' penultimate studio album had been

recorded, the project was still without a name. The "Fab Four" and a few close advisors got together to brainstorm album titles. The prospective names they kicked around tilted toward the grandiose, and soon they played with calling the new album "Everest" in recognition of their towering contribution to the 1960s music scene. Of course, such a name would necessitate an expensive 10,000-mile weeklong photo shoot to the Himalayas (such things were done by successful rock stars back then). But at this point in the group's career, the Beatles were on the verge of disbanding and had little energy for such a trip.

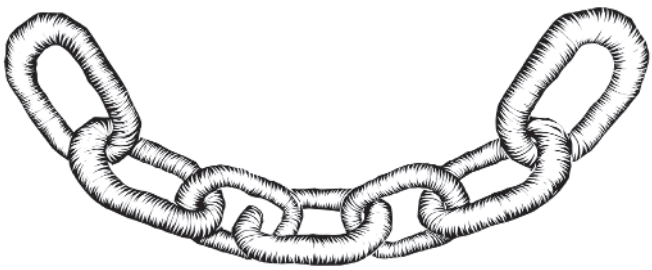
What to do? Rock historian Ken McNab relates that drummer Ringo Starr, probably the most grounded of the musicians, reversed everyone's perception on the album name by suggesting: "Why don't the four of us just go out in front of the EMI recording studio and stroll across the 'zebra' crosswalk, and call the effort 'Abbey Road'?" Why not indeed! This simple solution took two hours to set up and shoot, and became the Beatles' most iconic photo. *Abbey Road* went on to become their biggest selling album.

As a way to sharpen your thinking (and also jettison obsolete assumptions), the Wise Fool recommends disagreeing with people whose ideas and beliefs are similar to your own opinions. Indeed, you may find that the opposite viewpoint makes more sense.

If you don't have anyone handy to disagree with you, why not take the contrary position on conventional wisdom. For example, here the Wise Fool challenges the validity of two well-known proverbs:

Don't put all of your eggs in one basket. The Wise Fool: "There are times when you have to *go all in* to motivate yourself and to get rid of excuses. There's an apocryphal story that when the Spanish conquistador Hernán Cortés landed at Veracruz, Mexico, in 1519 to take on the Aztec empire, the first thing he did after unloading his men and his equipment was to sink his ships. Then he told his men: 'You can either fight or you can die.' Sinking his ships removed a third alternative: giving up and returning to Spain."

A chain is no stronger than its weakest link. The Wise Fool: "Weak links are great! Many systems have weak links designed right into them. They're called 'fuses.' When a system gets overloaded, the fuse blows and saves the rest of the system from breaking down. After all, which part do you want to have damaged: the $100,000 one or the 10¢ one?"



Bucking customary perceptual habits can also be a good way for discovering the humorous side of things. A fun example is Till Eulenspiegel, the 14th-century German peasant trickster whose merry pranks were the source of numerous folk and literary tales. One day when Till was hiking in the mountains,

he was seen to be crying while walking downhill and laughing merrily while climbing up. When asked the reason for his odd behavior, Till replied, "While going downhill I'm thinking of the strenuous climb up ahead and that makes me sad; and while hiking uphill, I'm anticipating the pleasure of the easy descent."

Wise Fools believe that if you can train your mind to think in a manner contrary to the herd, you will be right more than wrong. Much of this book is about their efforts to "zag," that is, discover alternative viewpoints. They will eliminate obsolete ideas, reverse their perspectives, muse over random information, forget limiting assumptions, piggyback on strange ideas, seek out ambiguity, imagine unintended consequences, flex their risk muscles to go after "sacred cows," and laugh at the status quo.

Summary: The Wise Fool says that in those situations where you find yourself agreeing with the people around you, a prudent strategy is to stand back and ask, "What am I not seeing here? What's the downside to this approach? What alternative points of view should I be giving more credence to?"

One more thought for bucking the crowd: In his charmingly pugnacious book, *Letters to a Young Contrarian*, the British iconoclast Christopher Hitchens urged this simple caution for maintaining your independence: "Don't allow your thinking to be done for you by any party or faction, however high-minded. Distrust any speaker who talks confidently about 'we,' or speaks in the name of 'us.' Distrust yourself if you hear these tones creeping into your own voice." Good advice? You be the judge!