

- Rory: [00:00:00](#) Order anymore. Yeah. There's, there's a sort of belief that boredom might be healthy.
- Kurt: [00:00:06](#) Yeah. Well he, he comes from the comp, the, the idea that for him boredom is actually painful. So he has this, he can not be bored if he bored. It's like a physically painful component for him. And so he's researching like why that is and why other people don't have
- Rory: [00:00:26](#) I will. It's very interesting cause I have the same thing. Yeah, I remember. Yeah. It is actually physically painful if you're at a meeting which is just unbelievably dull. He talked about that. Exactly. And I remember, I remember being at an, at an all day event for a pharmaceutical company and for no reason, probably by mistake instead of being put in the group with the marketers, I was put in the group with the um, the people who were tossed management project managers. That's what it was. And these people weren't remotely interested what interesting ideas you could have to promote this product. They were only interested in whether they could get legal approval by April the 14th.
- Rory: [00:01:11](#) I got that better bond. Okay. I was getting, okay. Well, presumably after you said yes or no, you'll all say, right, let's go and have a pint. Yes. Nobody could put up with both and 10 minutes of this stuff. I didn't even know for like an hour and a half. And I remember actually thinking I was in the room. I remember thinking if I put my fist through that window, okay, I'm cut my wrist of it. How long would it be before I blacked out? It was so dull, it was so mind-blowingly dull that I was actually literally experiencing physical pain.
- Kurt: [00:01:44](#) Oh man.
- Kurt: [00:01:46](#) I'd love to talk to him about that actually. Really, really? Yeah, yeah. Yes.
- Tim: [00:01:50](#) Well, um, well you've got a connection to him now, so no, I'll do, I'll do that. I'll, I'll get into tops. Fantastic. Yeah, that is terrific. Uh, so we, we, we expect that you have until the top of the hour.
- Tim: [00:02:04](#) Is that still good for certified? Yeah, that should be fine. Great. Okay. And thank you for that. And, uh, we are going to start this with a little, we'll do all of our post-production, uh, but we'll start with a speed round and then, uh, and just like to have some, a conversation. Really this isn't a big interview gig.

- Rory: [00:02:22](#) Do you want to turn video off? Some people do just to, won't, we won't be recording.
- Tim: [00:02:28](#) The video squad cast doesn't have the ability to record video. We only use it for conversational purposes. Gotcha. I'll leave it on then. [inaudible] some people turn it off to improve the, um, one thing is the gain on my microphone is down low. Is that what you want? Really? Actually I think you're coming through just great.
- Kurt: [00:02:49](#) Yeah, we're seeing it. It looks good. So, so Rory, we always ask, is there anything in particular that you want to make sure that we cover in the conversation? Topics that you really want to get to and now and the corollary to that, anything you just don't want to talk about that you've, you've talked about so much you're bored of or it's just [inaudible]
- Rory: [00:03:10](#) anything that kind of isn't there?
- Rory: [00:03:12](#) No, the one that I quite like is this whole question of ergodicity. I don't know if you've come across it. No, but what I'm increasingly noticing is that if you don't have, um, uh, if, if, if you have the marketing viewpoint, which tends to look at things through an individual, human's eyes is fundamentally complimentary to and very, very different from the standard business viewpoint of looking at a balance sheet or looking at aggregate information. And it occurs to me that where you have large businesses which don't have a strong marketing function, they often become and government possibly the most extreme case actually. Um, they often are terribly bad at or they can make unbelievably stupid decisions because they've never looked at anything from a marketer's point of view,
- Kurt: [00:04:05](#) from a human perspective.
- Rory: [00:04:06](#) And effective. Yeah, absolutely. Right. Yeah. Well let's, let's, let's do, let's talk about that today. I think that could be quite fun. Yeah. So government, the fact that government has a problem because it doesn't really think in marketing terms is I think a really significant, um, uh, you know, I mean they got terribly excited about nudge and Cass Sunstein stuff. And once you might say is that this was almost new to them because they'd never employed anybody. Yeah.
- Tim: [00:04:36](#) Now Trump has made sure that all those people that were bringing that perspective to the U S government are gone. He got rid of the whole lot today. They're all gone.

- Kurt: [00:04:45](#) Yeah. That they shut down the behavioral insights group here. So
- Speaker 3: [00:04:49](#) the only thing we have is Michael Hallsworth in, in the UK, bringing the, the behavioral insights team from the UK to the us, cause he's, he's based in Brooklyn now.
- Rory: [00:04:59](#) So, um, that's about the only influence we've got. That's extraordinary. Yeah. Yeah. So, um, anything else?
- Kurt: [00:05:07](#) No, I think that is it from that perspective. So nothing you don't want to talk about? We can go anywhere. Yeah, absolutely. Right. Good, good, good. Not that we go anywhere bad,
- Rory: [00:05:19](#) but you know.
- Tim: [00:05:23](#) All right. Well let's, uh, let's, let's do a quick countdown and we'll, we'll get started.
- Rory: [00:05:28](#) I'll just tell my wife though that this is a podcast recording, Sophie...
- Kurt: [00:05:33](#) Don't scream up and say, honey,
- Kurt: [00:05:36](#) I'll just, just to say it's a podcast for about the next half hour. Okay. Right. Thanks. All ready to go. All right. Three, two, one. Rory Sutherland.
-
- Tim: Welcome to the behavioral groups podcast.
- Rory: [00:05:56](#) It's a joy to be here.
- Tim: [00:05:58](#) It's our pleasure. We'd like to start with a speed round.
- Kurt: [00:06:00](#) All right, great. Oh yeah, these are, these are easy though for you. So coffee or tea.
- Rory: [00:06:07](#) entirely depends on the time of day. Um, my wife and I have a huge row about whether you have coffee first, then tea in the morning or vice versa. And we've never really settled that one. The only thing I would say is I tend to start the day with a coffee and then at any point in the day where I've had enough coffee, I switched to tea.
- Kurt: [00:06:25](#) So it's not particular time, it's just a level of coffee. It's context and path dependent.

- Rory: [00:06:34](#) There's very few funding on coffee versus tea, which is if you ask people after a meal, typically after lunch or dinner, do you want tea or coffee? The majority of people ask for coffee because it's the default if you bring along a menu, however, with different kinds of tea. Yeah. So you can choose Darjeeling or fresh peppermint or whatever. The majority of people have tea. So it's a fantastic tea or coffee in itself is a fantastic example of where choice architecture really has an effect on the final choice.
- Kurt: [00:07:05](#) Fascinating.
- Tim: [00:07:06](#) You prefer life without a mobile phone or life without a laptop?
- Rory: [00:07:12](#) Without the mobile phone. Oddly I'd be in a minority there. Um, it would be awkward, but his, I would then have to open my laptop on the street and attempt to connect to people. Um, I'm actually doing this call. One of the things I don't understand particularly about young people is their obsession with small screens. I, my children will do things like try and book flights on something which is essentially smaller than the human man. I'm doing this call. Okay. The best reason to buy a four K TV has nothing to do with movies, films, or anything else. It's, you can plug a laptop into it and have a James Bond villain sized monitor. So our heads are huge in your office right there.
- Rory: [00:07:57](#) You're like you're Stalin-era sculpture to me. Yeah. I'm sorry.
- Kurt: [00:08:01](#) I have a sorry for that.
- Rory: [00:08:08](#) A huge monitor with fourK a which you can basically have seven windows open at once. One of them playing television if you want. Um, uh, is an extraordinary productivity improvement. I've had children are attempting to do these things using, it's that long bend description of golf, which is propelling a small ball rounded, you know, a course using implements ill-suited to the golf is implements entirely ill-suited to the task and booking flights on a mobile phone is the strangest thing. I can't even imagine. Try to do it yet. Have you? So I'm going to go down this rabbit hole, even though it's low speed, we usually go through these quick.
- Kurt: [00:08:51](#) So have you heard the Robin Williams a monologue on golf and Scottish out of the Scottish
- Kurt: [00:08:56](#) invented it? Yeah,

Speaker 4: [00:08:57](#) I know I haven't mentioned it.

Kurt: [00:09:00](#) It's so for our listeners and for you after this is done, you just, just Google Robin Williams, Scottish golf. It is about the five minutes of the funniest thing you have ever heard of in your entire life. It's not necessarily appropriate for children. There's a cuddle swearing in there, but it is fantastic.

Kurt: [00:09:16](#) So, all right, moving on. Unicycle or bicycle?

Rory: [00:09:20](#) Bicycle. All right. That's a really weird question.

Kurt: [00:09:25](#) We go weird sometimes. Okay.

Rory: [00:09:28](#) I can't make a case for the unicycle. I don't think we have, we have had many guests who say, yeah, you're going to cycle. Give me a unicycle. Other than the ones who are kind of into juggling and stuff, it's just the clown group that we get. So,

Tim: [00:09:45](#) so, uh, okay. So, which is a bigger honor to receive an honorary doctorate or to be on the Behavioral Grooves Top 10 book of 19 2019 list.

Rory: [00:09:58](#) Oh, one of the proceeds of the book they own a doctorate is, is nice. Um, say, um, but uh,

Rory: [00:10:05](#) the, the, the popularity of the book has been very, very delightful to me. Particularly the fact that it's proved popular with a whole group of people. For example, the investor community, which I never anticipated. Yeah.

Tim: [00:10:22](#) And how, how have you come to know that podcast invitation space strongly number of kind of dish and it makes sense. It's one of those things.

Rory: [00:10:32](#) Makes sense. In retrospect. I never would have sat out, let's write this book for the investor community. But of course if you're looking for a different point of view on the world other than the standard issue economic one than anything rather like this book, which gives you the opportunity to look at things through a different lens or different set of metrics I guess is, is, is valuable to them. Yeah.

Tim: [00:10:55](#) Have you talked to Barry Ritholtz?

Rory: [00:10:57](#) Not yet, but I know, I know of him so that that might be a,

- Tim: [00:11:01](#) he's such a fan of behavioral science when you bring up a sense and his podcast is the masters in business on the Bloomberg network and Barry is such a fan of both investing of course. And, uh, behavioral science. I, I'm surprised,
- Kurt: [00:11:15](#) you know, we should, we should make the introduction. Yeah. I make the introduction.
- Rory: [00:11:19](#) There's a fundamental problem which I always reach, which is I am coming to the conclusion that capitalism works because it's essentially an intelligent system. Okay. Uh, which both incentivizes innovation and encourages experimentation and encourages diversification. Um, the idea, I am coming to the conclusion that the idea that it rewards people fairly. Um, I, I'm beginning to Dodge. I think there's a huge amount of fluke going on where a bunch of people end up with \$1 billion because they happen to know it's probably essential to the system that you reward luck because if you only rewarded the successes which were intended in advance, I mean, if you think about it, if we were banned from using all medical discoveries, which were discovered by accident, we'd still be dying at 37. Okay. The fact that you actually accept the fact that a system that funds lucky accidents is essential to the evolutionary dynamic development of capitalism.
- Rory: [00:12:25](#) But the idea that it's particularly just, um, I think in the middle, I think it, I think the incentive system works. I think in the extremes it's kind of ridiculous. So I am coming to the conclusion that life is much, much more random than we think. And that various people for various political lands impose the kind of order on it, which doesn't, you know, which doesn't really possess. Yeah. The ends are getting bigger now that the, the, the, the wedding at the, at the very, the very richest of the rich and the reporters to the poor are getting even more dramatic. Uh, which is what you'd expect from globalization, I suppose, because you have this extraordinary phenomenon, don't you? Which is that, um, uh, the, the great example is given is what happened to opera singers when the gramophone was invented, which was before the gramophone.
- Rory: [00:13:17](#) If you are the seventh best operatic tenor in Norway, you probably had a fairly decent living because, you know, the other three were busy. Uh, you know, you get enough gigs and then suddenly everybody wanted Caruso on desk and you end up with one opera singer disproportionately because fame is, of course, fame is ludicrously disproportionate. Um, look, you know, the more famous you are, the way they're, they're a huge kind of runaway feedback loops in faith. Right? So the, the same

thing happened apparently with books that the average author earns the same money as they did 30 years ago or 40 years ago until you strip out Dan Brown and JK Rowling.

- Rory: [00:13:59](#) That part, the rest of the rest of authors basically have taken about a 30% hit.
- Tim: [00:14:05](#) In music industry. The top 1% of all of the artists in the music industry today, they make as much as the other 99% combined. That's just insane. Yeah.
- Kurt: [00:14:19](#) So Rory, you have a new book alchemy. Tell us a little bit about what, what inspired you to write the book and then what is a kind of quick overview of what the book is about?
- Rory: [00:14:31](#) So I suppose, um, it's written as a necessary corrective to all sorts of things which are almost axiomatic in business economics. And why do decision making? I mean, the idea of kind of conventional rationality being deeply embedded in economics for, um, uh, and the idea, I suppose I was describing it yesterday as a book about somebody actually brought a very good description of the book, which is, he said it's about what's important but not necessarily salient or obvious.
- Rory: [00:15:06](#) Ah, so there are lots and lots of things going on in the world, which we don't quantify or acknowledge very much, but they're still highly important. Um, uh, trust would be, you know, obvious case for example. Yeah. Okay. Without it. Uh, you know, without trust then any attempt to replicate some sort of civilized economy is pretty much impossible. And yet we don't talk about trust very much, not nearly as much as we talk about GDP. Um, but another way of looking at it is that it's about someone who was effectively brought up for 30 years as a creative person and an ad agency and the nature and application of creativity as partly being spotting when you're making a decision when you're not aware of it. Now, let me explain that in a way if you decide to do anything. Okay. What we think of as a decision is an area where lots and lots of people are in violent disagreement and where three people want to do X and four people want to do Y or you yourself are deeply torn between doing the one thing or doing the other.
- Rory: [00:16:14](#) Okay. Now there are also decisions which are a bit like Sherlock Holmes is dogs that don't bark in the night in the Silver Blaze. It's a glorious thing. A home spots. The fact that the crime was probably an inside job because there was a dog at the stables, but it didn't bark. Now asking, why did the dog bark? Oh look, the dog barked. Therefore it was probably a stranger that's, you

know, that's a reasonable thing to do. But a lot of people could do that. Spotting something without the absence of evidence, if you like. Spotting something that isn't there requires a lot more effort and a lot more kind of uh, you know, cognitive investment. I think it's a real, it's a real example of homes is genius in a sense. And the interesting thing there is that whenever we decide anything, there are lots and lots of things which we agonize about because we think of them as decisions.

Rory: [00:17:08](#)

But there are also things where we make a decision without even being aware we're making a decision because the answer seems just obvious. Intuitive, sensible. Okay. And my finding through particularly through my origins and direct marketing, um, where the strangest accidents would lead to extraordinarily different outcomes in terms of the response rate for, for instance, is that there are loads and loads of decisions we take very confident, very happily in the workplace or in government or policy because they seem completely logical and we don't deliberate about them for a second. Right? And, and actually we're not even aware that there's a decision to be made here because the answer seems so obvious. And I in fact there nearly always is what you might call a, you know, a red hat suggestion that you, Oh, I'll give you a little example of this. I never won this argument, but I still think it's an interesting argument, which is Spotify, you pay \$70 a month, okay?

Rory: [00:18:13](#)

And you get unlimited music and you can download unlimited volumes of music. And I always said to them, now, they didn't even think of that as a decision because if we can afford to give people unlimited access to music for \$50 a month, what could be better than unlimited? And my perverse argument was that maybe 500 albums a month might be better than unlimited. And the argument would be to set a gratuitous and arbitrary limit on how much music you could download. Not because you'd necessarily enforce it, to be honest, but simply because I didn't know what unlimited music's worth. It's such a kind of weird for someone who's grown up with those CDs all over the place. Right? Unlimited music, you know, do you want to buy my unicorn? It's just, it's a really weird question cause I always thought if you said, okay, it's 500 albums a month, you can download.

Rory: [00:19:07](#)

Then the average punter does the maths and goes, hold on 500 downloads a month, this \$5,000 okay. You know that basically I'm getting \$60,000 worth of music. That's kind of what Elton probably used to spend on CDs. You know, he would actually go, he would actually go into a music shop and just spend four thousand five thousand dollars on CDs, but I can get Elton CD

collections basically for like 10 15 bucks a month. Now my argument was that maybe, maybe that would have been a more psychologically potent way of framing the value of Spotify than making it unlimited, but we never got to test it. I argued with them. It was too late to be honest. But the interesting thing was, I don't think they ever had a big debate about that. Should we make it unlimited or should we make it, you know, a hundred a month because they go, well, let's make it unlimited.

Kurt: [00:20:01](#) Yeah, it's really interesting. So this is a different way of looking at the, so we do a lot of work, uh, both Tim and I on with, uh, companies and their incentive plans. And the opposite is actually true. So some incentive plans for their salespeople, they cap them at a, at a rate that nobody gets to, right. But there's a cap, it's a limit. It says you can't earn more than \$40,000 in this quarter in this plan. And yet maybe one person gets there or nobody ever gets there. But the psychology of that, if you just say it's an unlimited plan, the amount that people go, Oh, I want that plan versus the cap plan. Even though you go, nobody, we've, we've been doing this plan for five years and nobody has actually ever gotten to that point. It doesn't matter. Cause psychology, the psychology background

Kurt: [00:20:48](#) of that is they're going, it's unlimited. I could,

Rory: [00:20:51](#) which also was also backs up my point that the opposite of a good idea is also a good idea. One of my rules of alchemy, which is we've made this mistake I think and I think.

Rory: [00:21:01](#) behavioral scientists have made the mistake, they're looking for generalizable rules. Yes. At the bottle of course is high school science where there's a single right answer and you show your working out and you get a big tick and if you don't have the right answer then you are wrong. Okay. Now because of the quirks of psychology, the opposite of a great idea can also be a great idea. And then the story I always tell to advance this is the two best hotels I've ever stayed at. Absolute polar opposites and one of them was hugely opulent and you know, looked like a kind of, you know, it was furnished like a kind of Edwardian. New Orleans popped out that insanely elaborate furniture. The other one was a former police station in East Berlin, which had a black and white TV on the wall, which only showed the Big Lebowski on continuously.

Rory: [00:21:54](#) The hotel is still there. And it still only shows the Big Lebowski. [inaudible] you go several years, you've got book into the barriers. You don't like the Big Lebowski 24 hours a day. Just to be clear about it, it was, first of all, it was brilliant because it was

the most Berlin thing in the world. I don't go to Berlin looking for, I mean a friend of mine booked a Los Angeleno into a very, very cool hip London hotel, which had just opened, which was called the Hempel and his to Los Angeles creative director. Guests were kind of gutted and it's kind of like the coolest hotel in London and they do. Yeah, but it's like a cooler hotel in Los Angeles. We want hunting prints and horse Ross's and the guy behind the Overwatch kind of bar called the host with a belly. He was, you can make that mistake so easily, which is failing to understand context.

Rory: [00:22:57](#) I mean, the funny one I ever made, which is w w one of my most embarrassing moments is I go to a speaking of business conference in Mexico at all the time. I think I'm going to Mexico. It's going to be quite hot. Mexico, Mexican, what's your dress? What'd you wear to get a Mexico? Okay. And so I turn up in this white suit, right? Then what I forget is that people in Mexico don't wake up in the morning and go, I'm in Mexico, right? Because that's where they live. And they all woke up thinking I'm going to a business conference or they put on dark shit. So you have this photograph of all of us at the end of the event and I look like the man from Del Monte, basically 67 people in dark suits. There's me in the middle of this kind of like whites. Then looking like a [inaudible] era governor from somewhere. You just wanted to stand out.

Rory: [00:23:47](#) I assumed everybody had been watching because I was kind of thinking it's Mexico. It's so easy because, and this is why the opposite of a good idea can also be a good idea, which is if you flip the context, if you flipped the expectation, the frame of reference, whatever it may be. Okay. And the classy is often in government. I was give of this is that putting the limit to how much you can put into a tax free plan, putting the annual limits up can reduce propensity to save in some conditions. Now there's some very interesting people look into Delonda does work on this called fence theory. Um, but the interesting thing is if you can only save 3000 pounds a year, people who can save to think, I better put two in this year because otherwise I've missed my allowance for that. Yeah. Yeah. Okay.

Rory: [00:24:33](#) So it gives them a bit of an impetus to put one and a half to, maybe on a good year they'll put in three. Okay. Because they go, well, I don't wanna, you know, turn my back on this taps break once you make it 20 hugely motivating to Ken's fund managers because they can put in for them themselves, their wife, that there's even a titty version you can have of the ICER. But for somebody who would only save 2000 pounds a year, it destroys the impetus because they've no longer got a target to

aim at. Or they go, wow, solid. I'll just leave it for eight years and then put in 10 and of course they don't, you know? Yeah. And so understanding that kind of thing in which the way in which the design of things like interfaces can have extraordinary effects and sometimes extraordinary opposite effects depending on context.

Rory:

[00:25:20](#)

But that thing, I mean, I, you know, I kind of agree with those people with behavioral science to say, look, this is just an ink. This isn't the science because it's narrative inquiry. It's not science because you're ever going to actually develop universal rules. But what we will do is we'll just spot patterns that it's worth remembering that, you know, monumental genius' like Murray Gelman, when they moved from the study of physics to the study of complexity, they effectively did so and they said candidly, look, when we're studying complexity, don't expect us to come out with some formula that explains everything because we're not even sure that this field delivers this. It's kind of like meteorology where you just get better at certain things. But if what comes out of this science is that things that look perfectly logical and therefore aren't even accorded any thought deserve quite a lot of consideration that people look at things that seem obvious, you know, what is the opposite were true, what of actually reducing the amount you could save, provided a greater impetus to saving.

Rory:

[00:26:27](#)

If that's, if that's what happens then it's a valuable science. Yeah, absolutely. Even if all it says is you need, I mean, the great example of you need to test is always pricing. So I've asked, you know, pricing experts, do you do what we call round pattern pricing, which is, you know, two pounds, three pounds, you know, jab two pounds, three pounds, et cetera. Okay. Or do you do, um, Don Draper pricing, which is one 99 or do you do prime Bach pricing, which is you make it seem really, really cost competitive by pricing the jam at one time, 74. Well, you know, in other words, uh, you know, um, transport cafes in the UK, you know, popular with truck drivers, van drivers, you will see that kind of thing. It will be you, wouldn't you, you know, you wouldn't see it in the New York restaurant, um, you know, full English breakfast, uh, four patterns, 73, but right.

Rory:

[00:27:22](#)

I mean, they probably wouldn't do that. That's funny. Just breakfast look probably four 99 or something like that. But something like a bacon sandwich might well be to plan, study seven or one pound 98. Right. The whole point is that this is just cost plus stuff. We're not trying to maximize revenue in any other way. And so you can communicate value in all three ways. And the only answer I've ever got is, look, it makes a huge

difference, but we can't find any generalizable rules. Yeah. Yeah. And which is okay. Yeah, that's okay. You know, at least you know what you don't know. Whereas I think what happens is people are going around thinking they know much more than they do.

Tim: [00:28:00](#) Speaking of government, you brought up the government. And, uh, for some reason that links me back to something that we started talking about before we started recording, which was ergodicity. And I was wondering if you could share a little bit with our listeners about this concept of ergodicity and, uh, uh, how, how it fits into both the corporate world and into the governmental complex.

Rory: [00:28:24](#) Well, I think it's an interesting notion, which is that maths is different, um, dimensionally different depending on how you look at the world. And so for example, let's take a very simple example. Averages are a very bad way of looking at the world. I would argue that there's a huge difference between a hundred people smoking one cigarette a day, and, uh, one person spending a hundred cigarettes a day, you know, uh, you know, there are a number of people who for \$10 million would play Russian roulette once, but nobody would play Russian roulette 10 times in a row. Right. And the point of a goodness did something that was spotted in 19th century physics by, I think Boltzmann, if I've got my 19th century physicists right. Um, could be someone completely different geology, you know, somebody will Google that and check you out, check me out. Um, but they spotted this fact that actually an awful lot of probabilistic mathematics depends on assumptions of ergodic city, which aren't safe. An organicity is essentially there's no path dependency and the one times 10 is the same as 10 times one in those conditions. And the physicists have recently spotted a Marie Galvin, early Peters, bunch of people at the London mathematical laboratory. Um, the economics didn't really spot this distinction and built its whole house of cards on kind of early 19th century statistical mechanics before people that understood this distinction. I hope I've got a lot of work cause I'm right at the edge of my maths envelope.

Rory: [00:30:03](#) But I think it's really important because there are lots of things where decisions are taken by looking at an average and by looking at a snapshot and by assuming what's good for the average is good for everybody within it. For example, uh, that's one assumption. I don't think government is very good at looking at individual behavior over time. It tends to look at aggregate groups. Now what's fascinating to me is the very fact that maths is different depending on your point of view. So

there are various statistical bets where, um, uh, the bet is on average, good for everybody who participates every time they participate. But over time, nearly everybody who takes this series of bets gets poorer and only very, very few people get richer. And I think understanding, if you look at GDP for example, it assumes that what's good for an economy and average is therefore good for the populace.

Speaker 4: [00:31:03](#)

Now theoretically, you could have a country where GDP was falling, where everybody was getting richer in the course of their life and you could equally have the opposite. Those are unlikely conditions, but it's not impossible. Um, now the interesting thing there is you get various things. I'll give you a lovely example, which I spotted and I think only thing I always tell her, they look for God's sake. Tell me what I'm talking bollocks here. Cause as I said, this is way outside my pay grade mathematically. Um, for a long time throughout the UK it was viewed as good news that house prices were rising and every time house prices went up a lot. It was presented on the news as it goes in your news as a great news story. And of course when house prices rise in arguably average wealth increases. On the other hand, if you look at it from, from a single player viewpoint, for 90% of your adult life, you want house prices to stay flat, maybe to grow a tiny bit just to get yourself out of water a little bit.

Rory: [00:32:06](#)

Okay. But actually most of the time you're either thinking of buying your first house or you're trying to upgrade to a slightly bigger house or a Lake front house. Now when house prices rise, the gap between no house and one house, one house, bigger house, bigger house late for posts increases, making it more expensive to upgrade. Okay. The only time in your life when rising house prices actually deliver good news is when you decide to downsize or move into some sort of retirement home at the end. Or if you're hoping for your to die because they lost stone somewhere. Okay. But for most people, most of the time you want house prices to be fairly stable and the rising house prices were actually very, very painful for people under the age of 55 and ludicrously beneficial to people at the age of 70 or 80 say, who then gets so cranky, they won't leave.

Rory: [00:33:04](#)

So it's like there's anyway you'd think, wouldn't you, that all these people who've got no money but are sitting in a five bedroom house worth \$2 million, you'd think they'd sell and spend the money on like, you know, drugs and you know, you know, you know what they don't know. They sit on their own in a five bedroom house, whatever crazy reason. I mean, but, but the story, the thing about that is that was a failure to

understand that what was good for an economy average was actually very, very, um, unfortunate in terms of, it didn't spot the fact that there was a huge wealth redistribution from the young to the old gang on every time property prices went up, you were effectively putting the young in hock to pay for the retirement of the old.

Kurt: [00:33:49](#) Yeah. Well, and I don't know if this was the same in England, but I know in the, in the U S my wife is in real estate. And so the, the age that people are buying their first home has gone up. I mean, it used to be in their late twenties, early thirties and now it's getting mid-thirties, early-forties. So people are renting longer, they're staying at home longer and they're not investing in, in that because of that exact thing that you're talking about. They're priced out of the market for a starter home, it's now \$230,000 in the Minneapolis area.

Rory: [00:34:20](#) And I think what's interesting about that is that the reason nobody spotted this problem is because there are large areas, there are large areas of business and there are large areas of government which don't really have a marketing function. But it's something that came to me that for all the faults of marketing, there's an awful lot of wank market, total rubbish, doctor marketing, a lot, an awful lot of the time as a result of which it doesn't always have huge credibility and maybe it doesn't always deserve it. But for all those faults, I think the marketer is still looking at his business through the eyes of a consumer, an individual consumer experiencing that business over time. Where is the person in the board meeting is looking at a balance sheet or some other spreadsheet which is looking at the business through the um, what you might call the, you know, the aggregate snapshot.

Rory: [00:35:12](#) And therefore if you have major decisions with no marketer presence, you can make really, really dumb decisions. In the same way that if you're an economist, you can make really dumb decisions by assuming that something that's actually good in aggregate is necessarily good in time-series. And I think the fact that actually maths changes with your, with context and with point of view, um, where people tend to look at maths as if it's the kind of um, you know, an eradicable unambiguous truth. You know, here I mean poverty, poverty and wealth inequality figures are really weird there because everybody thinks they're objective. And a, you can tell a totally different story just by choosing two different parts, choose a different start point, a different endpoint and you can tell any story and like pretty much but worse than that actually of course it's predicated on

the assumption that the people in the top 5% stay there in earnings and the people in the bottom 5% stay there.

Rory: [00:36:13](#) Now actually what you see is that movement through your life between being in the top 5%. You know, typically you start off earning less than you do when you're older. Kind of weird. If you did, wouldn't it, you know, cause you do gain experience and all that and other things. But, um, the idea that actually, as I said, I mean I, I made this point that we've got a very left wing party proposing to put very high rates of income tax for anybody earning 80,000 pounds a year or more. I said, that doesn't just affect 5% of people who are earning 80,000 pounds. It affects the other 25% of the people who are hoping to do so one day. Yeah. So there's not much point in training as a surgeon, you know, if you don't plan one day to make 80,000 a year, now at the moment a trainee medic might technically be in the poorest 20% of the population is hugely indebted through education.

Rory: [00:37:10](#) He's not earning very much. No one would think of him as poor in the sense that his prospects are fabulous. But nonetheless, statistically he would, he might well appear in the poorest 20% yeah. And you definitely expect them to go. That's brilliant. They're taxing the rich. But on the other hand, what was the point of becoming a surgeon if I can't make significant amounts of money at some point. And so I think that business of, of the way in which we cut data and the, and the direction or the dimension in which we look at it can then tell completely different stories is something we need to be really, really alert to because people are, people tend to regard anything on a pie chart as if it totally red.

Tim: [00:37:51](#) And I think this is quite disturbing. It is. And this is a, this is the world that we're living in the uh, the more, uh, the greater emphasis there is on big data and the accumulation of big data and then the analysis of big data, it puts a tremendous burden on those who are actually doing the analysis and doing the presentation of it.

Rory: [00:38:11](#) It also makes it possible to post rationalize almost anything. So if you have an emotional predisposition towards any kind of tax policy, you can basically cut data to support your view or hot, you know, or cherry pick data. I mean, the most interesting guy in this area was a guy who was called, um, I think it's Cowperthwaite, John James Cowperthwaite, who is the economic minister, chief minister for Hong Kong throughout the, I think late sixties and seventies. [inaudible] he banned the

collection of, um, of economic statistics because he thought they'd just encourage people to interfere.

- Speaker 4: [00:38:50](#) He was awesome. So he, he was probably, there are various Hong Kong billionaires who are kind of who venerate this man cause they think he was kind of the architect of Hong Kong's prosperity and to some extent the architect of China's prosperity, you know, in the Hong Kong provided a kind of less than that. But he, he went to a conference on developing economies and said, is there a single thing you can do which would most improve the economic prospects of my country? And his answer was closed down the office of national statistics. Ah, wow. I mean his argument is that I suppose that we're so bad at distinguishing signal from noise and we exhibit so much confirmation bias in leaping on signal rather than noise. That essentially, pretty much any statistics will provide a license for government to intervene in their economy in a way that is on balance, more likely to be bad than good.
- Kurt: [00:39:51](#) Well, and or going to whichever party is in power to their, their, uh, element of, uh, perspective. Right? So if I'm, if I'm on leaning right, I can find the whatever I, I want to, to prove my point. If I'm leaning left, I can find whatever I want to prove my point there. And you get this, the reality of the world is not being actually represented because you're cutting data in such a way to show the slice in the preferential
- Rory: [00:40:22](#) wait. Oh, it's absolutely right. Yeah. And I think, um, uh, that danger, which is that, um, pretty much anybody can make now a scientific case out of what is really a wish list, um, or a belief, uh, is actually a court case where we have to be really alert to this. And of course, it then extends into things like AI where, uh, or algorithms, which I mean, as a Brit, my favorite example of bias in an algorithm, uh, is Google maps. The reason for this is Google maps is designed by Californians. Okay. No. Um, so they basically have imposed a California and mindsets on the rest of the world's transportation because it the California and doesn't understand the concept that you drive to a railway station and then bought mass transit. Yeah. Okay. Cause if you've got a car, you drive that in less, it's seven hours away, which gets you fly.
- Rory: [00:41:19](#) But not quite as simple as that. But I mean, but the interesting point is that if you ask Google maps how I get from, for example, a County where we equivalent Connecticut for example, into the middle of Manhattan and give me a public transit answer, which involved three buses to the station from my house and then a train, which takes about two and a half hours. And it would tell you also a driving version, which would

take two and a half hours because you get stuck in traffic in Manhattan or whatever. Literally exclusive. But they're not, they're not. In fact, they're not. You can get in your car, drive as far as you can towards the railway station on the outskirts of New York and then take the train in and that probably takes you half the time. And there's also inordinately less frustrating than either the other two options. But the California mindset in terms of what you optimize, it never occurred to them to do this, which is really weird.

Kurt: [00:42:15](#)

Well and you bring up in your book, I love the component you bring up in your book in regards to yes it gives me the fastest time, but knowing that this travel from point A to point B is fastest right now, but there's a likelihood that something could happen on that road. That's where the traffic happens. And if I took this other route, which at this point might be 10 minutes longer, but I know for sure that I will get there in 40 minutes as opposed to 30 minutes, I am much more likely to say do I take that risk of getting there 10 minutes earlier but potentially being stuck in a traffic jam and being an hour late or not. And you said that was an interesting aspect, I thought that you mentioned in your book.

Rory: [00:42:57](#)

So, so I think this is important by the way, because one of the things economics assumes is that we're trying to optimize something in a nonorganic environment. It pays off just to reduce variance. Yeah. And of course I want them to seem tele, I would say I suspect is that when you go on a slightly slower back road, uh, one thing that does happen on motorways in the U K is you've got to fake action. And then the police for forensic purposes have to close the road and you can be stopped there for an hour and a half. That doesn't happen very often, but if you've got a plane to catch, it's probably not worth that risk. It's far better to set up 30 minutes earlier. You then go on a road that takes 25 minutes longer on average, but there are two things. It's got one, it's not going to be closed for two hours.

Rory: [00:43:43](#)

Two you've got optionality because one of the problems with the interstate is you can have literally, you know what I mean? Sort of Arizona in the state, you might have 15 miles between intersections. Exactly. If something goes wrong, you're significantly delayed and there's nothing else you can do about it. Whereas on a back road you can daily it was doubled back in Europe and the combination of memory and satnav will find a, an alternative route. So a really clever satnav would actually ask, are you more interested in optimizing journey time? Um, or, or are you interested in minimizing variants? In other words, if you have a hard stop or deadline, a variance reduction might

be more important than, um, occupancy. Simple optimization. Yeah. Um, on a day, you know, I, I say it's very interesting because what we don't do when we use technology to help us make decisions, uh, we tend to assume somehow, uh, we tend to become, I suppose it's an example of Daniel Kahneman's idea of whizzy Atty, which is what you see as all there is no worries, man.

Rory: [00:44:47](#)

I was talking to a group of people that are, uh, as an online car dealership dealing website. Um, the other day in a way, when we buy houses in the standard online way, we think, okay, this is finding me the perfect house because each time I'd put in a criteria and every time it eliminates those properties, which don't meet my criteria. And it optimizes those criteria I care about. But actually a, the order in which you input the criteria and has a huge effect. But B, if you don't hit real human decisions, we don't re, I mean if you look at who you married for example or whatever it may be, okay, we actually make a whole series of tradeoffs. You might get to a car dealership and think, well, the only thing that matters is fuel economy. But there's a slightly an economical car there that has white wall tires or whatever it is.

Rory: [00:45:37](#)

Or contrasting leather piping and basically you go, I thought economy officially in my conscious brain economy was really important. But comparing and contrasting leather piping shit, okay, Oh happily. Pay a bit more every month, you know, whatever picnic tables in the back and a couple others. Of course in the United States cup holders, the major criteria is not that big thing. Yeah, it's a big thing. Do you realize this, by the way, the reason Volkswagen for many, many years sold so few cars in the U S is that the German engineers at Volksburg refused to put cup holders and cars in Germany. In fairness of case. Okay. If you drive a manual, the cup holder is less valuable than their automatic. And Europeans tended to drive manual cars. Um, I, I'm a longtime convert to the automatic transmission, but a lot of Europeans aren't. Um, but also Germans, you can't have a drive through basically in Germany, doesn't work.

Rory: [00:46:37](#)

Drive through McDonald's, drive through KFC doesn't work because something like 70% of Germans won't have food or drink in the car, any soccer stops. So a lot of them book bottles of water. So patently selling a KFC bargain bucket to a German, to Eaton. The car's going to be a pretty tough, but, um, but the interesting thing there is that, um, uh, we, we actually reassess the relative importance of our criteria all the time when we're making a human decision. And so the person you buried

probably ends up having two criteria you would never have factored in at all. Right. Um, had you gone through some, you know, ritualized process of elimination by attributes and so with property for example, I, you know, when I moved out of London I thought, well, obviously we are in London, you're going to buy a house. And because I didn't use a website because I actually discovered it in a newspaper, I went, that isn't the house, but it's a shit.

Rory: [00:47:33](#) Hell, you know, really kicking flat. Yeah. Now, you know, we all will, any of the criteria, you know, number of bedrooms or you know, all those things, well, we'll compromise on those criteria if anything's particularly strong in another dimension. And so it worries me that forcing people, well, everybody markets are intelligent because they aggregate lots of lots of irrational preferences, um, through a process of reveal preference. I guess into a lot of information about what really matters in the car industry. And so you know, the American preference for cup holders gets factored in. You know, two brands like Jaguar, which was historically, you know, 1970s Jaguar wouldn't have any way you could put a drink. Okay. Now if everybody buys cars, formula ugly, all that information actually gets lost. And so the individual decisions may feel and look more intelligent. But the market is aggregating less information because it's all coming to us in a kind of pre digested fall.

Rory: [00:48:40](#) And you know, so for example, it's all airline websites assume that prices are a big thing. All railed websites tend to assume it's about speed. And even those fairly obvious things, we make trade offs. You know, most people would rather take a two hour train journey where you can sit on the same train all the time rather than get there in an hour and a half but have to change trains and stand on a platform for 15 minutes. You know, there are awful lot of other factors. And if you rank things and eliminate things by a particular criteria, the real subtleties of information about human preference, which you can't really go on or from research because people don't fully know either. It's only when you're presented with the choice that you really know what you want. Well that's getting lost.

Kurt: [00:49:30](#) Yeah. And I think that's the key piece of this is when you're in that cold state, putting in your pieces of here's what I find are important. We don't as humans really understand what makes us happy. I mean, there's been plenty and plenty of research. We think this will make us happy and when we get this, it actually doesn't. And so the fact of that is going out to look at a house, you know, I want three bedrooms, I want two bags, I want all of this. You could have that perfect house, but if it's

next to a railway station, it, you know, if you didn't put that into the criteria and you have a train running by every 15 minutes and it's loud as hell, that isn't the house that you want. Versus you could find a house that maybe only has two bedrooms and it's perfect ideal. But because you said three, it isn't in that algorithm to find it. And

Rory: [00:50:22](#) nearly everybody will, you know, with who they marry, the car, they buy the house, they, we'll

Rory: [00:50:28](#) make trade through anything that's particularly strong. And what, I mean, the classic is our blow was given this, which is we don't make decisions afraid. The friend of mine phrases this is humans don't understand humans. Yeah. And so if you're an ad agency and you're pitching to a client, they have this balanced scorecard on which they evaluate your pitch. And it will include things, subjective things like personal chemistry, you know, blah, blah blah. But it will all soon, their base, you say strategy, creative work, you know, capacity to deliver a blow back. And it's always handed out by the procurement department who are desperate to create the illusion that these decisions are arrived at through some mathematical process. But if you get a client who's been through that process, if you get them mildly drunk and say you never actually use that to make the decision, do they go that of course I decided who I want to win and then I backfill the numbers so my decision makes sense.

Rory: [00:51:23](#) Yeah. And so that whole idea of how Darwin made a decision or what does it Franken's rule about talking out positives and negatives, no one really does that. Um, and why they don't. Just really interesting question, but there's something going on there where the way we make decisions and the way computers think they should make decisions are wild. And one of the things I was saying with this current group is, look, if you've got a bunch of people looking for a high end luxury cars, okay, um, you know, the 20 years old, right? They're never going to look for a Volkswagen. But if you've got people looking at 20 year old Bentley's, maybe you should just bring the, the Volkswagen fighter, which is Volkswagen was bizarre and catchy rather successful attempt should produce a super luxury, I think it's a w 12 engine and good God knows what else.

Rory: [00:52:14](#) But God, a good realtor sites should spring surprises on you. Yes. And actually a good human reality will do this. I'll put the most extreme case. Okay. You won't believe this, right? So David Ogilvy, um, uh, was terrified of flying. So he crossed the Atlantic by ship intended to go to Paris in the 1960s, I think possibly the early seventies to buy a townhouse in Paris

because he wanted to retire there. And the estate agent, uh, the reality or the French realtor, he, to be honest, I've always wondered whether he was basically lying through his teeth here, but he, when David arrived, he said, unfortunately, while you were on the ship, the house you were looking at in Paris, I'm sold, but I've got something else to show you. And he took David Ogilvy on what then must have been before high-speed trends in France. I think like a seminar, trade ride to the, I've just got some press here where there was a 12th century Castile with a boat, 40 rums and he's still in term. Oh no.

Rory: [00:53:26](#) I mean, I must admit, I, you know, I would've been slapped, you know, I would've been going, I was probably looking for the Paris townhouse bait, you know, [inaudible] and of course it then turned out to be in a sense you, David Ogilvy is great project, uh, for, you know, the, the last sort of 15, 20, 25 years of his life was restoring this Chateau and, um, uh, you know, furnishing it, reveling in the history of it. Um, he was chairman of Google to mind, you have this, the chairman of this huge international company was running the whole thing from a castle, the deepen the French countryside to subsidy extent by the way that his volume of post was so high that the local postman got a promotion at a new fab.

Rory: [00:54:10](#) But that was a case where I've never point was David the most. The other extraordinary case was David. The housing was David's business partner. An extraordinary guy called Jock Elliot, who is an American of Scottish extraction ads, hence the jock. Uh, he'd been a kind of a us Naval guy during the second world war. He was actually present at the battle of Lay Te Gulf, which I think was the biggest Naval battle in world history. But he was this extraordinary. And presumably I knew he was hired for the same, the same salary as the, the opening batsman for the Yankees or something. So he must be an extraordinary well-paid. And he moved to Scotland intending to buy a castle and they rented a Croft while they went castle hunting. And after about five months or something, he and his wife said, while you're living in a Croft, you can actually go and hang out with the locals and you know, they'll, you know, they'll fairy you places on the boat and you can get and get drunk with them.

Rory: [00:55:06](#) The evenings or whatever. If we move to a castle, we won't be able to do that anymore cause we, the guys in the castle, so this guy moves over to Stockton with a budget of a pad. He must have had a budget of like a million and a half dollars off. He could have bought anything and he ended up buying a small Croft. And so the idea of the idea of stable preferences yes. Is so kind of upset. I always, I've never met, I met David Ogle, I'd

never met jock Elliot, but I always really, really loved him for that because I thought what a guy, you know, to go there with that budget where you can effectively buy anything you wanted and then to buy a modest home, he did buy, he bought it, I think the Island of staffer for his wife as a wedding anniversary present. And she owned it for a day and then he gave it to the Scottish national trust. Um, so, so strong. I'm really, really interested gun tragedy. I would've loved to have better just to talk about property. That's a really interesting thing. When you've got a budget to do anything you wanted, you do something really modest. What a fascinating guy.

Tim: [00:56:12](#) Do we have time for just a little bit. Chat about music of course. Yeah, absolutely. We always like to end our discussions with a little chat about music. And I'd like to start with you.

Kurt: [00:56:24](#) Just make it is not me. It is you, but, but I, I go along.

Tim: [00:56:30](#) What is on your playlist?

Rory: [00:56:32](#) Oh, um, uh, I'd be meaning to get that extraordinary recording of, there's a film just released of Aretha Franklin in 1971, uh, with I think the Southern California community choir. Uh, and I'd been meaning to watch that film because Aretha was pretty cranky about licensing things. And so throughout her lifetime she continued to refuse to, uh, the, the, the audio release happened years ago, but the video release, uh, only happened I think a few months after death. Hmm. Um, I've been meaning to watch that, but I can't remember what it's called. But, um, if you Google it, uh, that's, that's the, the thing on my intention list. I'm a huge fan, by the way. I'm a huge fan of the, um, I would think very interesting that there are the best of any music genre is very good.

Rory: [00:57:21](#) Okay. But there are three music genres which people tend to reject cause they're the music genres with the worst signaling value in metropolitan circles, which are metal, gospel and country. And so I always see those as the three really underrated, uh, music genres that patently the very best of gospel given the music talent involved is going to be spectacular in the congregation for this concert with Aretha singing our Mick and Keith from the rolling stones. Okay. That's the church they went to every time they were in LA. Um, okay. Given the, you know, given the talents involved and the talent available, paint the, these things are going to be extraordinary good. And yet people reject a country. I like a lot. I've been catching up a bit on George Jones recently. Um, uh, also classical. I'm a huge

bark nut. Um, and actually that extends to the wider family as well, JC and CP and so on.

Rory: [00:58:22](#) Um, and I'm very instituted in looking at the extent to which, um, composers often fall out of favor. Uh, I'm intrigued by musical fashion because if you think about it, recorded music now dates back to I guess, I mean the 1920s is probably the first tolerable recording quality. Uh, the thirties got a bit better, but, but my children, what fascinates me with my kids is they don't really, and this is I think in product that, um, partly of Spotify, but they're, the parents of music to which they listen are extraordinarily eclectic in terms of the, um, so they, they don't see anything weird with listening to something completely contemporary, some bit of rap and then flipping to Abba. And then they're occasionally completely surprised because my wife and I know the words to songs [inaudible] how'd you know the lyrics to the song again, because it came out when we were 23.

Rory: [00:59:28](#) So there's something fascinating there, which is, you know, will we actually see, if you look at classical composers bark, some kids said, get the complete obscurity. Really, uh, in most of the 19th century until being rescued by Mendelssohn. Um, there are whole letters sort of handle operas which would performed between his death and the 1960s. I was just wondering, are we going to see, you know, really strange musical revivals? You know, I, I don't know. He said, you know, our young people suddenly going to get into big band music or you know, something of that code.

Tim: [01:00:04](#) I would hope so. Yeah. It is recorded. It's available and it's rich. There is tremendously rich, uh, music out there in all, uh, lineages that are, that are available. Uh, maybe it's just a matter of time and maybe it makes the right movie or the right media to get it, to get it going to, to create some kind of a tipping point sort of experience.

Rory: [01:00:28](#) One thing I did do, which took me a bit of behavioral science thinking for I did it, was I realized I'd spent the last 20 years agonizing about how to download music and how to acquire it almost at the expense of listening it. I did buy this year for the first time, a reasonably expensive bit of audio equipment, which is the first time I'd spent more than sort of \$500 on audio equipment. Because if you think about it, the high fine market for about 20 years was totally sidelined, wasn't it? In the 1980s before the internet. I have rich friends who'd go on about, you know, you know, they, they got some, you know, typically you'd have a Lynn's on deck, uh, a name amplifier, then some name electrostatic quad speakers and then connected by, you know,

speaking tables that cost a hundred pounds a foot that were hand woven by Austrian elves.

Rory: [01:01:25](#) I suddenly realized nobody, the iPhone came along and the iPod came along and everybody basically listen to stuff on headphones or they thought this is amazing. What tons and tons of music and nobody really spend any money on reproducing it other than headphones. Yeah. I went and bought this name thing called the, the Muso because they brought out a new version, which is about 12, \$1,300. And as a result, the earlier version was being sold off for about 600, and I thought, okay, 600 is a lot to spend on, what is it, wireless, Bluetooth plus internet, speaker and radio. But it's a massive rate single speaker. And I suddenly realized, look, what's crazy is that there's probably some mental thing going on, which is when someone had a 3,000 pound or 4,000 pound CD collection, it seemed only sensible to spend 2000 or 3000 pounds on the equipment to reproduce it.

Rory: [01:02:26](#) And I suddenly did this reframing, which said, well, I've now got access to all music and all of the world's radio stations. I listen to quite a lot of American classical stations. Um, uh, WFMT Chicago, that kind of stuff. Okay. Um, care KRNG FM in Seattle, that's very good American classical stations, which you've listened to and fairly high bandwidth streaming. I thought, well, look, okay. The fact that this has become cheaper has also meant that I've spending less on equipment, but look, there's another way. When you've got access to all the music in the world, you should actually spend commensurately more on reproduction equipment. Yes. I've, there's just something similar happening. I think there's a mistake in advertising, which is a similar thing, which is because media is become cheaper and cheaper because it's digital and it's highly targeted. People spend less on creative. Yeah. And there was always this kind of rule of thumb that you spent on producing an advertisement, 10% of what you spent on broadcasting it and yeah.

Rory: [01:03:27](#) I don't think it's an entire mistake. I think, I think we've just, uh, there's something going on here where we need to rethink this because actually when the delivery mechanism is cheaper, arguably the content meets needs to demonstrate cost disabling more, not less because the costs, the signals no longer being delivered by the fact that it's a 32nd TV commercial or in the Superbowl or whatever it might be. Yeah. I sometimes look at that and not suddenly, go ahead.

Tim: [01:03:58](#) There's a couple of countervailing things about this. One is that we are continuously spending more and more on televisions

that we're willing to spend more on the, on the viewing side of it and not the listening side. We're listening on speakers that are just crap and yet in the automobile we're willing to spend an extra thousand \$1,500 on a better stereo system in our, I know car but not in our home and these are, these are inconsistencies that I don't have good explanations for.

Rory: [01:04:27](#) I suppose you can play it really loud in your car, but if the quality's never going to be as good as it can be at home, there is that problem of course at home, which is that you set the thing to play at whatever volume you choose and then your wife comes in and turns it down to noxious and turn it up five minutes. Exactly. Say there is that volume of battle. By the way, there's always a battle and temperature as well because apparently women always prefer a rug to be about two degrees higher than men do. It's very rare to have a couple who are basically in a, in alignment, in terms of room temperature, um, because men have larger livers in proportion to body size. So I think guys tend to run a bit hard. Yeah.

Kurt: [01:05:14](#) So going back, going back to the music thing and spending

Kurt: [01:05:18](#) that amount on the equipment, I'm wondering if there's actually, so you, you had mentioned in the book to the placebo effect and like, you know, why are we charging so little for aspirin when we should charge a lot for aspirin because you're going to get this larger placebo effect. And the, the, the research that has been done on wines where they've done the blind taste test and that's the exact same wine, expensive wine, it tastes better. They do the neurological fMRIs studies, which show it actually lights up different areas of your brain. So it's actually, you're actually feeling it, not just imposing it couldn't the same thing happen with music, right? With, with buying the expensive speakers, you would actually hear the music better. I mean, I don't know that.

Rory: [01:06:01](#) Yeah, I think you do. And I think that's actually true because, um, uh, you hear things in music when you play it in different forms. Yes. More or less inaudible to you on even pretty good headphones. Um, that I think that is interesting. Um, but it known fascinates me that because it struck me that logically once you had the capacity to download in pretty lossless format, pretty much anything you wanted for a low cost logic would really say that you ought to spend convention more on the reproductive equipment. And yet he seemed to spend less. And um, I don't regret by money. We never regret buying anything doing those extra. Yeah, I mean that's, I mean that, that business of adaptive preference formation where, I mean

this is a really interesting thing about the opposite of a good idea of being a good idea. And I keep saying this, that you don't get an endorphin rush from mid-market retail.

Rory: [01:06:54](#) Okay. You get a thrill from a bargain. Okay. And you get a thrill from an extravagance. And when you, when you do anything extravagant, you tend to do a lot of adaptive preference formation where your attention is just proportionately drawn to the aspect of this expensive thing which is superior and therefore attract your attention. It becomes more important to you or therefore what should be possibly an extravagance we regret. That was a bit of advice given to me by someone in the catalog retail back in the 19, um, uh, the late 1990s where she said you never regret your extravagances. And I always think there's something there that TK, TJ Max you call it, of course we call it complicated legal reasons. So there was a brand called TJ is home stores or something at the time which forced T T T J Maxx to become TJ max and the TK. I was very weird. I know, but you've got a thrill from that. Okay. Cause you've tried to bargain and you get a thrill from an extravagance but stuff in the middle. And this is my great argument about, you know, the opposite of a good idea is another good idea that actually, um, you know, the sensation seeking characteristic in humans. Uh, and the, the, the other example I was given of a very, very successful Chinese restaurant in London's Chinatown for years, which was famous for being the rudest restaurant in London.

Rory: [01:08:18](#) Yeah. And provided you a famous for being rude and people expected it was a selling point. Yes.

Rory: [01:08:25](#) And then, you know, the Berlin hotel, which doesn't have carpets where you sleep on a platform above your shower and there's a black and white TV show. You know, again, if I turned up expecting the Marriott, it would've been the worst evening in life, you know, but I wanted a Berlin hotel. And um, so this is the kind of thing where I think, uh, it's very, very dangerous to try and generalize for the average because nobody wants it. I mean, this is true of human body types. The guy who was set to design cockpits for high-speed jets on an average cockpit seat and is, in fact, we found that the number of people who are average on more than more than about five of 12 measures of, you know, elbow, whatever it was, you know, upper arm length, the position, what everybody paid. Basically nobody, I think out of thousands of people, nobody was average on more than four of these dimensions are more than five. And so what you realize is that, that it, this is why capitalism is necessary because Hey, we don't know what we want. Okay. So we only know what we want when we see it.

- Rory: [01:09:34](#) Mmm.
- Rory: [01:09:35](#) Oh, this is, this is an extreme hierarchian view, which is not only do you need markets to aggregate the information, but until you have markets, the information isn't even extractable from my ads in any cause. We can't describe what we want, but also the magical aspect of capitalism, which is it can solve a problem in more than one way.
- Rory: [01:09:54](#) Yeah. And you could, and the magical aspect of capitalism is that, you know, um, what's, I mean, one of the things I'm, you know, really fascinates me is I think, uh, you know what a classic example, which is very similar to that business of, um, uh, uh, of the, the high fi, uh, is, I wonder if, if some, if, if I was Zoom right, would I get somebody like Name okay. Or a brand, I don't know if, you know, native British sort of, and it's actually, I know French premium Hi-Fi brand or someone like shore Shur. He, you know, the headphone people. If you don't have to make really, really sodding expensive video conferencing equipment that was portable, would you get loads of businessmen too? You know, would that actually, cause the problem is, is that we, you know, you have this fantastic technology which is more or less free and everybody goes and buys a 20 pound webcam. Yeah. Or you know, all they, you know, all they, my argument is that there's something wrong here. You know, we really ought to be, you know, really investing in how do you, you do video conferencing really well.
- Kurt: [01:11:08](#) Well, and the business perspective, you're signaling then too, like you are, if you are saying that if I am in business
- Kurt: [01:11:14](#) and I have a a high, I know that this costs X number of dollars, everybody that now comes in contact with that, Oh you have, you've gone that extra distance. So you're signaling that value that you're placing on that. So
- Rory: [01:11:28](#) the equivalent to the mold blog pan in the 1980s where every businessman had to have, I mean, one of the hysterical things that happened with me is in the very early days of laptops, everybody in business class used a laptop on short haul flights. Nobody does that. Or there's one guy who does, who's like way behind preparing a presentation to the death row panic nobody else does. But when the laptop was a bit of a badge of status, okay. People for totally gratuitous reasons, mid flight, we'd take a laptop out of their bag and type something just completely fatuous activity. Um, but I mean that really interests me, which is what are areas where, uh, we could transform behavior by flipping the, you know, in other words, flipping the motivation.

Yeah. Um, and could you make having a 500 pound bit of video conferencing equipment, uh, you know, made by some high end audit.

Rory: [01:12:23](#) There is a SHURE thing by the way, S H U R E, which is a, a very high quality, condensed some bike, uh, which you clip onto the top of your phone and essentially it comes with a tripod. Um, it's in my bag. I have got one, but I mean it's, it's so interesting because this is, this brings us back to the beginning of the conversation, which is about decisions which aren't decisions. So everybody assumes the best thing we can do with video conferencing is to make it free. Maybe actually the problem with video conferencing is it needs to be made really expensive. Um, you know, that, you know, is there some zoom premium thing which you only give to the most senior people in the company, which broadcast stuff in four K, you know, all that stuff. Right. Um, and everybody assumes you'd have, I mean, even Amazon I think is getting it wrong because I think Jeff Bezos basically goes, people want high levels of convenience, overnight delivery, and they want maximal choice.

Rory: [01:13:21](#) What I think, I think Amazon marketplace is turning into a bloody soup. You know, there's certain categories where you go that, you know, you want to buy a USB cable or a toaster or something and then you just go, okay, I've got price range from five pounds being posted direct from China up to a kind of [inaudible] thing and you know, \$900. Basically. Now I'm totally blinded by the headlines. What we actually want is what a shop does, which is to curate a range of toasters within a reasonably sensible price range. Um, uh, and again, this is, this is, this is the paradox of choice is the classic example of something where the opposite of something is also true in the sense that in a lot of cases we want choice to be reduced, but in different contexts. As I about the jam experiment.

Rory: [01:14:12](#) If you'd traveled 30 miles to visit a superstar called, we'll do jam. Right? Cause you're a massive Japanese use yet you wouldn't go into the dog, Oh there's too much Jabber control. I'm not going to buy anything and drive straight home. A huge range of chat will be interesting and so forth. But in the opposite context, actually, if you're a time poor shopper in a crowded supermarket on a Friday, I don't doubt for a second that five cartons is better than 15 yeah. Context matters really matters.

Tim: [01:14:43](#) If we walk into world of jam with 2000 varieties,

- Tim: [01:14:48](#) is it still, are we still going to be able to make better decisions if we, if we're only presented with a few, if there's some possibly, if the end caps and, well I think there's, we want you to taste this and this and this. Here's three that you should, you should try.
- Kurt: [01:15:03](#) Well, it's a curating part of it, right? So I think that you can have that choice of 2000 but you're curating or you're categorizing it. These are, these are hot jams. These are the jams that have this, you know, this pepper in it that are going to be, you know, and now you can compare the 10 of those versus these are are are jams from, you know, berries that are wildly picked or something like that. Like we go, there is a, the world's not, I don't know if it's the worlds or at least America's largest candy store supposedly is like 30 miles outside of Minneapolis. This is big yellow barn, bright yellow.
- Rory: [01:15:39](#) I'm going to go that I want to go
- Kurt: [01:15:42](#) like you walk in and it has just overload. You know, they have rows and rows of um, uh, taffy taffy kind of things and all that. And then you go into all the Japanese candies with all their weird, you know, so they, they do curate all of these different things, but you go there knowing that I'm going to find something that I am not going to get right
- Rory: [01:16:06](#) anywhere else. Yeah, absolutely. Right. Yeah. Yeah. So whenever I can find that green tea Kit-Kat, yeah, yeah. I always buy it. Yeah. Yeah. Yeah. I mean, one of the interesting things I suppose is that, do you model human behavior as optimization or is it regret, avoid satisficing and regret avoidance they both give you and also of course variance reduction. There are all these different tools we can use and we can develop heuristics which do a pretty good job of achieving, you know, brands are a heuristic. You know, if I buy a branded good, it's not going to be a crock of shit. You know, everything with Samsung on it as a TV is going to be somewhere between pretty good and really good. I'd much prefer that than take the risk, even if it's a 1% risk of buying a terrible television, you know. Um, and so we, we, we devise all these little strategies for, you know, um, downside, um, variance reduction, but his, that's pretty important.
- Rory: [01:17:08](#) There's a lovely thing which is, um, he saved boat, uh, for about a week or so before he competes at the Olympics in the 100 meters or 200 meters or whatever it is. Basically only eats chicken nuggets. Yup. No, you talk to other leg and they go, but that's ridiculous. You should say, my body is a temple. I should have, I should have, I should have dark tree advisers mixing

Keywan kale into some blended smoothie. Now I think the logic is real easy, which is his fatness. Okay. He's the best rubber to the world by a margin. Okay. Yeah. And his basic approach is I'm going to win. But that two things that construe out, well I'm not getting enough protein basically under eating and two getting ill. and by the way, it happens quite a lot cause you're in a foreign country. It's all a bit weird. You're exposed to completely different microbial stuff. Now if you go to the golden arches, he's saying it's not going to get the sheds. Right. Yeah. I know. Of course there are a lot of cases of really, really promising athletes who ha there was a case, I think even the Mexico world cup where there were several teams who possibly even poisoned by the hotels.

- Rory: [01:18:26](#) All you got to have is a soccer team with four people with gastric flu and you're basically out. Yeah. And so the, that approach, which is you go, okay, my basic function is to minimize downside risk. Now, if I think if you were less good, you might argue that he might need to Trump, but basically his point is, I'm going to win in, I screw up and here are the two major ways I can screw up. So, so he's, he's just minimizing the risk, minimizing downside. Because if he doesn't have any downside, he went basically, there's no amount of kin voir that anybody else could basically consume that's going to make them faster than his saying on a good day. So his job is don't have a bad day and it's not going to improve his performance at any point that is going to make it. Exactly. Yeah. So why do it, Hey chicken McNuggets good chicken.
- Rory: [01:19:21](#) McNugget.
- Tim: [01:19:22](#) Hey, thank you so, so much for being with us today. It's been an absolute joy. Really, really. It has been a pleasure and today was no exception. Uh, so we wish you well. Wish you a good Friday afternoon.
- Rory: [01:19:37](#) Where are you both based? Are you based in Minnesota?
- Kurt: [01:19:40](#) We are. We're both, we're both here.
- Rory: [01:19:43](#) I'm going to have to try and get out there. I, I've, I've been to the airport wants to change planes, but no further than that. That has to be on my wish list. So, um, I'll let you know if I've ever anywhere nearby. Yeah. You have a client in Madison or Milwaukee? We would, yeah, you're absolutely right. So that there are other direct flights to that'd be Kimberly Clark. Yeah. So you could route yourself that way, couldn't you? Instead of yeah, you could. Yeah. Minneapolis and right there, it's Green

Bay, is it? Yeah, it's, you're, you're, you're flying into private green Bay is, they're down in, in, uh, and I forget his point is it Racine was to Racine in Wisconsin. Yeah, yeah, yeah, yeah. Cross cross the state of Wisconsin, but still relatively close. So

- Tim: [01:20:28](#) a perfect English pub. No, God, no, of course NO! We would take you to a cool local Minneapolis place and get some, some craft beer and uh, and do all the things in Minneapolis. We've, we'd love to host you.
- Rory: [01:20:41](#) Fantastic. I've got a day, I promise. I love to do that. Just let me know. We'll do
- Tim: [01:20:48](#) zoo. You were always a gracious host. Thank you so much and have a have a good rest of your Friday.
- Rory: [01:20:53](#) Fabulous. You too. Really excellent. Thanks ever so much.