

Peter Atwater: Other extremely confident communities that I see today are Silicon Valley, certainly the big tech world, Wall Street is another community that is very very jubilant

(Intro Music)

Robert Glazer: Welcome to Elevate, a podcast about achievement, personal growth and pushing limits in leadership and life. I'm Robert Glazer, and I chat with world class performers who have committed to elevating their own life, pushing the limits of their capacity, and helping others do the same.

Lenox Powell: This episode was previously recorded and published as part of the Outperform Podcast

Robert Glazer: I'm Bob Glazer, AP's Founder and Managing Director. Today's quote is from the wisdom of Mark Twain, and that is, "History does not repeat itself, but it often rhymes." Our guest today is Peter Atwater. Peter is renowned for his ability to look at confidence and how it impacts decision-making throughout history. We'll be sure to include his full bio in our show notes, but here are some highlights about Peter and his accomplishments.

Peter is the President of Financial Insights, a recognized thought leader in confidence-driven decision-making. He is the author of the book, Moods and Markets, which details how investors can improve returns by using non-market indicators of confidence, and he's an adjunct professor at the University of Delaware. Additionally, his research on confidence has been mentioned in The Financial Times, Rotors, Barron's, and Time Magazine, among many other places. I'm very excited to have you, Peter, welcome, and it's an honor to have you on Outperform.

Peter Atwater: Thanks very much, Bob.

Robert Glazer: Why don't we start off having everyone tell a little bit about what it is you do, since that I think you're a specialist in a field that a lot of people aren't aware about. Why don't we start there, and that should set the, I think, the base for everyone.

Peter Atwater: I'm fascinated in why people do what they do, and through an iterative process, came to really focus on the role of confidence in the choices that we make, and from that, try to understand what it is about confidence that is the real driver behind the things that we do, and even more, the parallels that you see behaviorally across politics, social action, the markets, and not just today, but from a historical perspective, as well, 'cause as you indicated at the beginning from Twain, history does rhyme. We're in a very interesting time with that regard.

Robert Glazer: Absolutely. We first met about three years ago. I saw you speak at an EO Boston event. I remember your speech very clearly because Eric Cantor had just lost his primary race in the election, and you were talking about how companies and politicians that were focused on global and not local in their backyard were gonna be in trouble as people were more concerned about things that were going on locally. Basically, you essentially predicted a lot of what's playing out in the market today and society, including, I think, some of xenophobia and some of the outright racism that we've seen. What was it that you saw at that time, and can you take us through kind of what is materialized and maybe what has changed since then that would lead you to tell us what's gonna come next?

Peter Atwater: What I was observing was a real dichotomy in the confidence level between Main Street and the global, financial, political elite. It was as if we were living in two different worlds at the same time. From my research, I knew that when people don't have confidence, local matters a whole lot more than global. We can talk more about sort of why that's the case, but I was noticing that our preferences, whether it was in technology or in things like the silly K-Cups that folks use for their coffee every day, that Main Street voter preferences were all me here now. That is the antithesis of what I was seeing among the political and financial elite. The global mindset is much more of an us everywhere forever sediment. And so, I was tracking what Main Street was doing and saying, and could see that there was a real disconnect between the political establishment and what I started to see on the ground. Eric Cantor was the first of, now many, major establishment politicians who has fallen victim to this much more hyper-localized mindset.

Robert Glazer: I remember you mentioned some books and movies. Can you help explain, like, what are some of the markers that you look at and you talk about in your analysis that portray the sediment?

Peter Atwater: I look at ... Books are a phenomenal indicator, particularly the books teenagers read. Teens are uncanny in their unconscious, both, expressions and feelings of mood. One of the things that I noticed is that you have this very dark sediment, particularly among the young teen audience, whether that started with Harry Potter getting progressively darker or turning into the Twilight series and The Hunger Games. Now you have a lot of suicide-related literature, which is extremely dark and dystopian. That is, itself, an indicator of mood more broadly, although people don't tend to look at that as a marker. Music does the same thing. I always tell my investor friends, you want to buy a [inaudible 00:05:45]. Dark music is something that we saw like market bottoms and light, happy, bubblegum music is the things we see at the tops.

Robert Glazer: That's fascinating. What is it about confidence that makes ... I'm trying to think around personal and then in the business sense. Is it that it makes people just more narrow and more close-minded, and they only trust things that they know and see? I mean, obviously, it affects risk-taking, but can you walk through a little bit on how that would play out in sort of a personal setting and how that

would play out for a business in terms of the types of things that its customers are doing differently?

Peter Atwater: Sure. I think that the first thing folks should know is that confidence is cognitive. It is a cognitive state of being. It's almost as if our brain has hit that Staples' easy button. Things in our minds when we are confident are very easy for us. If you think about that, as confidence falls, our minds become much more stressed. I'd like to think of it in terms of bandwidth. We only have so much bandwidth. When confidence falls, the pipe gets clogged. We tend to overthink. Things become more challenging for us, cognitively. As a result, we only can put so much through the pipe. That forces us to focus on things that are only in front of us immediately, so things that have a local immediate personal aspect to it take precedent over everything else.

Robert Glazer: Is that more instant gratification over deferred gratification?

Peter Atwater: Absolutely, but it's not ... Instant gratification sounds like it's a choice. This isn't a choice. This is a necessity. When we're doing that, we have to sort of block out anything that's not in that immediate local horizon. Horizon is the word that I use, and so we need things. We crave things that are concrete.

Robert Glazer: That's interesting. One of the things that dovetails is when you and I were actually connected a few months ago, it was because I had written one of my Friday Forwards about the time span of discretion that was shared with you by a mutual friend that we have. We talked a little bit about how we each make decisions across different time spans differently. A CEO may think in years, and a medical profession may have to think in minutes or hours, and it starts to affect how we think. I know when you reached out, you mentioned the concept of time span has a big connection to confidence and that that relationship goes well beyond time. I'd love to hear more about that relationship. One of the things that we focus on on this podcast is how do you outperform? For a lot of business leaders, it's thinking about planning and strategy, and that's what they do, think about different timeframes. That was a very interesting point. I know we've chatted about it a little bit by email, but I'd love to hear sort of you go into that a little more.

Peter Atwater: Sure. I actually think it's easier for people to appreciate the time horizon if we actually start with a visual horizon, to think about it in terms of geography, and that we naturally, as we look out into the distance, things become blurrier. It's more difficult to figure out what's out there. I kind of know, as I'm looking out into the horizon, what might be there, but the things that I can see vividly and in great detail are very close to me. That same phenomenon exists with respect time, and that localized right in front of me is so much easier for me cognitively to understand, and that the further away I get in terms of time, the more I have to generalize, and assume, and extrapolate in order to have some sense as to what might be in the future. That becomes very difficult for us when we're under stress because, again, we just don't have the abstract thinking that we need to be able to have some estimate of what might be ahead.

Even more, things that are blurry to us when we don't have confidence, we immediately associate with fear so that rather than thinking about the future being an opportunity and being optimistic about what's ahead, which is what we naturally do when we have very high levels of confidence, we begin to view the future with uncertainty. We are unclear about it, and therefore, there must be risk in that that we haven't yet identified. That begins to have a very clear and deliberate impact on the choices that we make because if I am running a business and I am focused on that me here now, deeply concerned, it gets hyper-vigilant mode, I am not going to invest in the future. I am going to be very focused on what I have right now and preserving it. And so from a confidence perspective, I will under-invest, under-expand when confidence is low. What, alternatively, when my confidence is really high, I will take risk to expand and over-invest that with hindsight proves to be as misguided as if I didn't do the right thing at the bottom. I, again, don't do the right thing at the top.

Robert Glazer: It just occurred to me as you talked through that, because you talked earlier about the dichotomy, in that this is very specific to different segments of the market or the population. I can think of, right now, some parts that are probably in the me, here, and now, and then some other parts, like blockchain, and Bitcoin, and the other stuff ...

Peter Atwater: Yeah.

Robert Glazer: That are in the wildly optimistic. Is it sector-dependent? Is it socioeconomically-dependent? I'd love to hear which parts of markets or segments now, do you think, are overly optimistic or overly cautious?

Peter Atwater: I think of it as herd-dependent and what herd or herds you are part of. Today, if I'm thinking about the most confident, you mentioned cryptocurrency, herd. There was a level of euphoria a month ago that rivaled what we saw at the peak of beetle mania or the peak of the tulip media. That is a herd that has just been extraordinarily optimistic and confident. The extrapolations that you saw in terms of projections of price for cryptocurrencies were phenomenal. Other extremely confident communities that I see today would be Silicon Valley. It's certainly the big tech world. Wall Street is another community today that is feeling very, very jubilant. Folks that have been very close to finance and very close to technology, and my God, when they intersect, you have this combustion. Yeah, it's just been a phenomenal environment.

Robert Glazer: Yeah. I mean, so basically, they can't see how anything could go wrong. That's the sort of no fear and that the future is better than the present.

Peter Atwater: That is absolutely right.

Robert Glazer: You mentioned something when I first heard you speak about books and buildings. Can you talk a little bit about that?

Peter Atwater: Sure. Architecture is another way that you see confidence manifest. I think it's amusing and interesting the coincidence we're talking today, Amazon is about to open its headquarters, its new headquarters. I encourage folks to go online and look at the images of these domes with much greenery. Corporations, just like individuals, build castles at the top. We saw that in terms of residential construction during the peak of the housing market. We're seeing that in tech corporations today. I think it's amusing and relevant that Amazon, and now Apple, are out there having municipalities around the country bidding to have that next multi-billion dollar corporate headquarters. Architecture is one of the ways that we express our mood. Folks that travel to New York, you can see it in these very, very hyper-tall pencil thin residential properties for multi-millionaires, billionaires. In fact, it's called Billionaires' Row on 57th Street. Those are expressions of extreme confidence.

Robert Glazer: What are some of the historical examples? I remember you went through a few, but where it really precipitated the end of an era.

Peter Atwater: Architecture, certainly, you saw that with corporations in the mid '60s. If you walk along and near the America's Sixth Avenue in New York, you can see one corporate headquarters after another for companies that many of whom don't exist, Union Carbide being most notable of them. But, you see lots of examples in architecture, the late 1920s, again in residential architecture, fabulous homes built. Before that, you've got the gilded age, travel to New Port, Rhode Island, that that is just a living museum of the abundance of opulence in terms of architecture, as is a place like Versailles.

Robert Glazer: How about the Roman Empire?

Peter Atwater: Same sort of things. We built coliseums. I actually recently had a student do a research paper who looked at sports stadiums and the construction of football, baseball, basketball stadiums is very clustered around peaks in confidence. College buildings, I looked at my own [inaudible 00:16:51]. The clustering of college campus buildings all coincide with major peaks in confidence.

Robert Glazer: What about books?

Peter Atwater: Book topics tend to be similar in that regard. Business books are extremely popular at tops in markets. Jack Welch, his book notable at the top in 2000. Andy Grove wrote books. The head of Whole Foods wrote a book a couple of years that was months away from the peak in the price of Whole Foods. I had been watching with particular interest in Ray Dalio's book, called Principles. Dalio, for those who aren't familiar with him, is a major hedge fund billionaire. He runs a firm called Bridgewater. What's so interesting to me about that is that here you have this individual who is an expert in investing, and his book topic is really sort of life principles. He is definitely stretching his reputation.

Robert Glazer: That's an incredible book. I just finished it. I don't think I've ever marked up a book as much as I have marked that. Are they the how I did it books? Is that sort of the topic, or they just feel good enough to write a book?

Peter Atwater: It's twofold. One is it is definitely a how I did it, but put yourself in the shoes of a publisher. A publisher, I don't know what they paid in terms of the advance to Mr. Dalio, but I suspect it was a seven-figure kind of advance.

Robert Glazer: Whatever it was, he didn't really need it, but ...

Peter Atwater: It was [inaudible 00:18:36], but that they wanted it suggested there was an audience for what he had to say. And so, you think about, why would folks want to hear what he has to say? You don't hear about folks who have failed constantly in life writing books. There's a sense of, so, what did he do, and particularly in this one, what can I learn from that that I can apply to my business, to my life, because I believe, unconsciously, that if I can apply those same skills, I will be successful in the future just like him. We begin, as a reader, to extrapolate his success into our own because we read his book.

Robert Glazer: I assume this follows with the books that follow his themes, right? Which themes, I know business, but are there other themes that seem to have over-confidence now? I mean, I know there's a lot of books on culture and feedback. How do you even track? How do you develop the theses and then start to track these patterns with something like books or literature?

Peter Atwater: I go back a couple of years and think about the Hillbilly Elegy. That is a book that tried to navigate the confidence divide between middle America and the political financial elite. I look at The New York Times best-seller list in terms of what books are selling. What is resonating with the audience? I do the same thing with movies. It's interesting to me. If you think about the nominations this year, you have in a movie like Dunkirk, this is small individuals rescuing an army at its core level, so a local community coming together. That's not sort of how we ... When you think about Blockbuster movies, the theme of Dunkirk, The Darkest Hour, this is an environment, and you certainly saw it at the Golden Globes, women.

One of the things that I find as a researcher is that women, minorities, gays and lesbians, outsiders come to the fore when confidence collectively is low so that the in crowd, those who have been in control, those who have been powerful for a long period of time, fall out of popularity and are replaced and confronted by groups that have been repressed and under-confident. What's so interesting about today is that you can put in that crowd the middle American manufacturing class, as well as women, as well as gays and lesbians, as well as communities that we naturally associate, the African-American, [inaudible 00:21:44], the Hispanic community immigrants. What is so interesting is that the in crowd here is a relatively small population. Now we're seeing tension among groups that view themselves to have been repressed who are now trying to assert authority. On the one hand, you see that in the group of white

supremacists. At the same time, you're seeing it among a group of women who have been sexually abused. It's a very interesting 1960s [inaudible 00:22:22] that we're experiencing in real time today.

Robert Glazer: I have so many questions to follow up on that. Let me start with one that goes back a little bit, and then I'll jump forward. If you were an investor, would you be shorting over-confidence and going long on under-confidence, betting on sort of regression to mean over time?

Peter Atwater: I think we have reached an untenable point where the owners of capital have been so rewarded relative to the employees of capital. If I could choose a trade, I would be long workers and short owners.

Robert Glazer: Is the successful ... And I've seen a lot of these. I'm careful of confirmation bias because I feel like this is a little bit of the crowd that I hang out with, but they're seeing a lot more companies and leaders who are sharing equity, being transparent, having more of a collectively run company. Is that what you think will take to be successful as sort of the company of the future? People won't want to work hard for the owners?

Peter Atwater: Yeah. I think that what we're seeing is a migration of owner control reward going solely to owners to much more of a mutual relationship. If you think about it, at extreme, the opposite is a communally owned entity where employees benefit as much as owners. I don't know that we'll get there, but I certainly think that the pendulum is going to move rapidly in that direction.

Robert Glazer: When you consider all of the open source communities, that is essentially that, right? The open source software, even a lot of the blockchain and crypto where you trust a community more than a sensualized person, right?

Peter Atwater: Yeah, but I think we'll also see this more on a local basis where communities come together to recognize that if you're gonna turn around a city like Baltimore or [inaudible 00:24:43] environment or even parts of Appalachian in the Midwest, community leaders are gonna have to come together and drive it from a grassroots perspective, and that mindset of local mutual rebuilding of trust is going to be a theme that I think we see play out a great deal.

Robert Glazer: I'm gonna start asking the questions now that I know people have in their mind. Let's take this by segment because people have already listened to this saying this is fascinating. All right, what do I need to look at? What is gonna be a successful business? What is gonna be a successful political strategy? What is gonna be successful for me, personally? Let's start with politics. We have a midterm election on the horizon. What are you predicting there based on what you're seeing?

Peter Atwater: I think that what is ahead for the midterm elections is the backlash to the 2016 presidential result. The seeds of it were sewed on the Washington Mall in the

women's march, and so I think Time Magazine's latest cover is an indicator of that with the numbers of women candidates at all levels of political life from mayors to senators. This is going to be a political environment where my enemy's enemy is my friend. Coalitions, groups that you wouldn't necessarily have put together, but I think that we're going to see, in the midterms, a real rebuttal, politically, to what happened in 2016. Interestingly, it is going to challenge identities for a number of groups. For example, in the conservative heartland, one of the questions that I think will be important to watch is, do voters identify themselves as women, Christian, conservative first? That sounds like an odd sort of thing to focus on, but we are, in many ways, fragmenting in how we identify ourselves. And so, one of the challenges for political candidates is trying to create an identity that pulls people from one group to another by characteristics that are not necessarily been viewed as hyper-important before. And so, I think this issue, whether it be by race, gender, sexual orientation, religion, left or right, trying to create clusters of identity is going to be a challenge for folks who are running for office in the midterm.

Robert Glazer: But you're expecting, probably, to see a record number of female candidate.

Peter Atwater: I'm expecting to see a record number of female, people of color, gays and lesbians, the LGBTQ community. This is going to be an environment where established incumbents are challenged by outsiders who coalesce in opposition.

Robert Glazer: On the business side, so I'm a business leader sitting here listening to this. How should I think about ... I think it's two things, my company and my culture, in terms of what's gonna be successful. I know I've heard you talk about the types of products that will be successful based on the environment, 'cause I think that's sort of twofold, right? If I'm making bets right now, what would be a bad bet and what would be a good bet as a business leader?

Peter Atwater: I think for an American business leader that the challenge will be in the world of export, that trying to be global in this environment is going to be extremely difficult. It's gonna be difficult in two fronts. One, sort of the political me, here, now importance of things that are made and sold in this country will supersede things that are made and sold to others somewhere else, and recognize that our own isolationism is going to create backlash in other countries towards our own products and services, as well. In the same vein, I think importing is going to be equally challenging. One of the things that I've been watching has been where we are becoming hyper-vigilant in terms of imports. You saw with respect to Kaspersky, Russian anti-virus computer software is now something that we are not comfortable importing. We're seeing that transcend to Chinese cell phones. We're becoming xenophobic, not just in terms of people, but products, too. We're also becoming sensitive to capital. Where companies are sourcing funds is becoming such a scrutiny, as well. If you're a startup company getting money from Saudi Arabia, or from China, or Russia, is now being viewed in a negative way. Organizations that are trying to navigate at this border between domestic and international, I think, are in a very challenging spot because the amounting



xenophobia is going to make it hard on global capital labor, as well as product floats.

Robert Glazer: So you've not seen any reversal in the me, here, now trend that would lead you to believe it's going the other way?

Peter Atwater: No. It is continuing to go the other way. In fact, the fact that we're talking about building walls and are likely to have a bipartisan financial commitment to build a wall is just a clear indicator of that.

Robert Glazer: Does that even break down in terms of ... You think of the growth of farmers' markets or I'm an American buying produce, and I'm more likely to buy grapes from Massachusetts than grapes from California.

Peter Atwater: I think that is definitely ... I think you saw its [inaudible 00:31:28] in terms of big ag versus local ag. Food is a phenomenal space to watch because how and what we eat is one of the first indicators of our mood. For me, the craft brewery praise, the farmers' market movement, all of the locavore behavior was a very clear early indicator of declines in confidence from a mood perspective, but the danger is that it does become even more localized than that, that we become a herd that identifies by region, by state, by city, by neighborhood. Those progressions haven't happened, but if mood deteriorates further, you'll start to see open hostility between particular regions.

Robert Glazer: Thinking about, we're a company that's expanding internationally and I'm thinking about this in realtime. For companies that are across the US or globally, it wouldn't seem to be that to do that successfully, 'cause it's not like [inaudible 00:32:43]. They will have to be really invested and look like the communities in which they operate, right? Maybe the difference between five or six years ago, if you were gonna open an office in Germany, you might've sent a bunch of people over to open it. These days, if you have an office in Germany, you might want to hire some local Germans to start that. Is it that sort of application and thinking that business leaders need to think about?

Peter Atwater: Yes. In fact, you might even go so far as to make sure that it's a joint venture or something that demonstrates local ownership, that it is structured more as a partnership than it is an outright expansion of an American company because you do. You will need to be able to be authentic in what you say, and how you market yourself, and position yourself in this environment. I think folks should anticipate an intensifying level of scrutiny. Are you really what you're professing to be? In an international environment, you're going to get caught. It's going to be very hard to be, both, American and German, both, American and Mexican, both, trying to be two things at once. [inaudible 00:34:13].

Robert Glazer: You need to have your story straight.

Peter Atwater: Yeah, but your story needs to be supported by easily communicated facts.

Robert Glazer: Right. What about products? 'Cause I know you went into that level. What are the types of products that feed more towards ... I know you mentioned K-Cups, but the here now and less about the future because if I think about something like global warming where people are really starting to worry that we've got irreversible long-term damage, it seems like a massive commercial opportunity for people to jump into and the not to distant future. However, then there's what do I want to eat today? How easy can it be? I don't care what impact it has today. How does someone think about on those lines on types of products that the market wants?

Peter Atwater: Solving big problems, that [inaudible 00:35:15] kind of mindset, is going to be the antithesis and is outside of the global financial elite, the space X and blue origins of the world. The mindset is solve my problem that I have right now. That problem is right here, right around me, and it's wonderful to hear all of your ideas about going to Mars, and solving global climate change, and exploration, and things that are of interest, but those are so abstract and so not on my radar screen that you're wasting your time in terms of products.

Robert Glazer: That's why everyone goes to Twitter with their service complaints 'cause they need an instantaneous response.

Peter Atwater: Yeah. Now the danger, whether it's Twitter, or Facebook, or Google, is that the social media space in the last year, there's been a dramatic change in sentiment. We are increasingly suspicious of the power, and control, and the data privacy issues around the big data companies. And so, I think for folks that are trying to leverage social media, they need to be cognizant of the fact that you're gonna see an acceleration of people signing off of those platforms because they are concerned about what do people know about me that I really don't want them to know?

Robert Glazer: That's interesting. I want to say, I'm still [inaudible 00:37:07] 'cause I'm trying to think about how to apply this. I want to come back just so it's really clear for people around the thinking, particularly on the problems that they're trying to solve as the last question. Let's go back to the global warming example. There are real consequences now for people on some of the stuff that is going on related to, we'll say, climate change and weather. Other people say, "Look, we really need to do some stuff, fix some things in the long-term to stop more of these short-term consequences." Can people make that connection? Because there is a now to it, but the solution isn't now. The solution is more complicated. I know there are a lot of business focuses on sustainability and that message. I'm curious how you interpret that.

Peter Atwater: Bob, I take no comfort in what I'm about to say, but from a business perspective, I think that the opportunity is in coping with the symptoms, as opposed to trying to address the fundamental cause. If you think about the consequences of climate change, where are there going to be obvious business opportunities that come about because of that, and how do I take advantage of it? Because our willingness to invest strategically is declining by the day.

Robert Glazer: So, it is better to be a cleanup crew company than a dam building company?

Peter Atwater: Exactly.

Robert Glazer: Yeah, sad, but true. Well, Peter, I feel like we could go on forever. Your work is really impressive. I just wanted to thank you for taking the time to share insights related to confidence and how business can use indicators of confidence to outperform in their markets, which is what we're always interested in. To our listeners, we'll include a link to Peter's company, Financial Insights, as well as links to his Twitter and LinkedIn posts so you can keep up to date on his perspectives. Speaking of perspectives, we'd love yours. If you've enjoyed this episode, or Outperform in general, we'd really love your feedback, and please consider rating it on iTunes and/or writing a review. In the meantime, thanks for listening. Keep outperforming. Peter, thanks so much for joining us today.

Peter Atwater: Thanks very much, Bob.