

# Wall Street's 'Brainwashing Machine'

## 10 psychological strategies controlling your mind

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**LOS ANGELES (MarketWatch) -- Warning folks: Wall Street's "Fabulous Brainwashing, Mind-Control, Propaganda & Hype Machine" is in full swing. Call it the "Brainwashing Machine" for short. And you're the target. They want your money. As much as they can skim.**

Wall Street controls \$8.4 trillion of your retirement money through the mutual fund industry. For every 1% they can skim, they stick another \$84 billion in their greedy pockets. How do they do it? Very easy. Psychological tricks to manipulate and control your mind: Ten powerful yet deceptively subtle behavioral-finance tools to siphon off your money without triggering a rebellion.

Just a delusion? Am I inventing an Orwellian fantasy, like "1984," written over 50 years ago when a paranoid nation feared a Big Brother government might use mind control to manipulate us with double-think, newspeak and thought-crimes!

Oh how quickly we forget. In 2000, just as the Nasdaq was peaking, a BusinessWeek cover story featured the Wall Street "Hype Machine" exposing an "unprecedented marketing blitz" that was transforming investing into a "high-risk sport." In 2002 more of Wall Street's media-manipulation strategies were exposed in "Irrational Exuberance," "The Fortune Tellers" and others as Americans lost \$8 trillion.

Flash forward: Three years ago we learned how important psychology is in Wall Street's plans to control the minds of America's 95 million investors. The 2002 Nobel Prize for Economics went to a psychologist. Daniel Kahneman and other behavioral-finance experts were blowing the cover off Wall Street's historic fiction, the "rational investor." Psychologists prove we're all "irrational investors" and our minds are easy to manipulate using the new psychological technologies of behavioral finance.

Now, along comes futurist Ray Kurzweil's new book, "The Singularity is Near." Unlike Orwell, the pessimist before him, Kurzweil's an optimist. He predicts that by 2045, thanks to rapidly accelerating technologies, we will experience "the singularity," where the human race "breaks the shackles of its genetic legacy and achieves inconceivable heights of intelligence, material progress and longevity."

Optimism's great, but Kurzweil's "happy talk" about the future is weak in the area of morals, ethics and psychology. His optimism cannot erase reality. New "heights of intelligence, material progress and longevity" may get mass-produced for us all. But that will also mean they're available to global terrorists, psychopaths and the "Brainwashing Machine."

I've watched this machine evolve since my days at Morgan Stanley in the 1970s. Wall Street's central goal is to create a dependent investor, not informed, rational investors. Wall Street knows investors are irrational, insecure and vulnerable. Wall Street knows investors are easiest to deceive, manipulate and control if they are like sheep.

So here's my latest progress report, an update on 10 strategic thrusts that make up the Wall Street's "Fabulous Brainwashing, Mind-Control, Propaganda & Hype Machine." Together these weapons are very effective in the war to skim off the maximum amount from your portfolios, without triggering a rebellion:

## **1. Short-term 'buy button' -- relentless stimulation**

What a mind-control tool: Former SEC Chairman Arthur Levitt warned about the misleading negative effects of performance ads. They increase investor anxieties and trigger a need for instant gratification. They encourage optimism and the gambler's instinct, ironically increasing the frequency for short-term errors in judgment.

## **2. 'Savings button' -- minimize long-term thinking**

Psychologists look into your brain, know what makes you buy, sell, save -- information that Wall Street and Madison Avenue use against you. The reverse side of the "buy button" sows doubts about future retirement security. Our daily overdose of ads encourages buying now on credit, increasing debt, resulting in a negative savings rate.

## **3. Hyperactive trading -- Wall Street and Main Street**

Short-term online trading is encouraged and increasing. Today only 30% of stocks are held directly by passive individual investors. Hyperactive full-time portfolio managers have a competitive edge using psychological trading strategies to beat naïve little guys.

## **4. Broker training -- aggressive closing techniques**

Securities are sold not bought. Brokers are trained using aggressive psychological tricks. Inevitably, a broker's so-called advice is self-serving and misleading. Anything goes in closing a sale. Just get the commission.

## **5. New designer funds -- based on the latest fads**

Using psychological tools, the machine can design new funds based on the latest fads that are appealing to gullible investors who can't stop chasing higher returns. Anxious investors want the latest trading gimmicks -- hedge funds, commodities, junk bonds, gold coins -- like teenagers buying the newest techno-toys.

## **6. Supply 'free' experts to the media**

Remember dotcom talking heads like Merrill's Henry Blodgett and Morgan's Mary Meeker. Today, new ones fill the channels, 30 a day, every day, every channel, pushing their brand of snake oil. Wall Street advertisers love it! Talking heads are free advertising, adding to Wall Street's ability to control investors through media content as well as advertising.

## **7. Invest in lobbyists -- protect secrecy and nondisclosure**

Wall Street also controls investors by severely limiting what Wall Street must disclose. Lobbying is one of Wall Street's best "investments." It is the largest donor to politicians. Their lobbyists control Congress and the SEC. They fight reforms and push for laws that benefit them personally. Then they spin propaganda to mislead investors.

## **8. Disinformation programs -- create a 'we care' illusion**

Most Wall Street-sponsored "investor education" programs are self-serving new-business and promotional gimmicks. Wall Street knows these so-called "educational" programs are useless and ineffectual. But they help Wall Street types pretend that they "care."

## **9. Retirement gatekeepers -- keep in dark and manipulate**

We know pension and retirement managers control 70% of all funds. So most Wall Street money managers rarely have to deal directly with an individual investor. Instead they focus sales pitches on 401(k), 529 and other corporate plan managers who are often just as naïve and easy to manipulate.

## **10. Brainwashing geniuses -- on Wall Street's payroll**

Using consulting contracts, grants and retainers, Wall Street's "Brainwashing Machine" can lock up the best talent in behavioral finance and investment psychology to work on its side in perfecting the ability to manipulate America's 95 million individual investors. That guarantees Wall Street will achieve its goal of total and absolute domination of the investors' brains.

Orwell's Big Brother? Kurzweil? Even worse! For Wall Street, it is already 2045! The singularity is already here for the manipulators. You must wait. Meanwhile, they keep skimming, you keep losing. You are at a serious disadvantage against an enemy that still believes "greed is good." No wonder Wall Street loves technologies based on the new behavioral-finance psychology.