Three Ways to Spot a Liar

By Justin Kermond
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Advisors operate in a post-truth era. The world is cluttered with deception in investment services, media, business, literature, academia and politics. Advisors need to be equipped to identify liars in their interactions in order to make better decisions and not be deceived. Here are three ways advisors can protect themselves from false claims, detect less-than-honest responses and present themselves in a manner that conveys truthfulness.

A recent Harvard Business School Working Knowledge article by Carmen Nobel, How to Spot a Liar, described the recently published research detailed in the paper, Evidence for the Pinocchio Effect: Linguistic Differences Between Lies, Deception by Omissions, and Truths, by HBS professor Deepak Malhotra and associates Lyn M. Van Swol and Michael T. Braun. Their research sheds light on how linguistic clues reveal dishonesty during business negotiations, including flat-out lies and deliberate omissions of key information.

Indeed, this research provides clues to determine if someone is lying to you.

"Most people admit to having lied in negotiations, and everyone believes they've been lied to in these contexts," according to Malhotra. "We may be able to improve the situation if we can equip people to detect and deter the unethical behavior of others."

The researchers recruited 104 participants to participate in the “ultimatum game” to determine truth-tellers, liars and deceivers by omission. The game of ultimatum is a tool used by experimental economists. The researchers modified the rules for the purposes of their deception research. The game is traditionally played with two people, an allocator and a receiver. The allocator begins the game with an initial endowment sum of $30 or $5 to share with the receiver. The allocator can decide to play honestly and share the full amount with the receiver, or play dishonestly and share a lesser amount of the initial sum. The receiver does not know in advance how much money with which the allocator started.

The researchers’ version of the game also allowed the receiver to reject the allocator’s offer and receive a default amount of either $7.50 or $1.25 in lieu of taking any risk at all. Prior to making a final decision, the receiver was given two minutes to interrogate the allocator about the pending offer to determine whether the allocator was offering an honest or dishonest deal. These interrogations were videotaped, and the researchers analyzed the linguistic content of the interrogations. The results showed that 70% played the game honestly and the remaining 30% played deceptively. The deceptive 30% were categorized as either flat-out liars or deceivers by omission.

The researchers discovered the following linguistic patterns, as explained by Nobel:

- “Bald-faced liars tended to use many more words during the ultimatum game than did truth tellers, presumably in an attempt to win over suspicious receivers. Van Swol dubbed this ‘the Pinocchio effect’ and added ’just like Pinocchio's nose, the number of words grew along with the lie.’”

- “Allocators who engaged in deception by omission, on the other hand, used fewer words and shorter sentences than truth-tellers.”

- “On average, liars used more swear words than did truth-tellers – especially in cases where the recipients voiced suspicion about the true amount of the endowment. ‘We think this may be due to the fact that it takes a lot of cognitive energy to lie,’ Van Swol said. ‘Using so much of your brain to lie may make it hard to monitor yourself in other areas.’”

- “Liars used far more third-person pronouns than truth-tellers or omitters. ’This is a way of distancing themselves from and avoiding ownership of the lie,’ Van Swol explains.”

- “Liars spoke in more complex sentences than either omitters or truth tellers.”

Malhotra concludes: "As with any such work, it would be a mistake to take the findings as gospel and apply them too strictly. Rather, the factors we find to be associated with lies and deception are perhaps most useful as warning signs that should simply prompt greater vigilance and further investigation regarding the veracity of the people with whom we are dealing."

Being a lie-spotter

The video How to Spot a Liar by Pamela Meyer, author of *Liespotting*, describes how to become a lie-spotter and why we should transition from lie spotting to truth seeking and trust building.

Lying is a cooperative act, according to Meyer. A lie’s power emerges when someone else agrees to believe the lie. A lie by itself is powerless – and some lies are harmless. Meyers described how humans are wired to lie: babies fake a cry; two-year olds bluff; nine-year olds cover up. College students lie to a parent or guardian in one out of five interactions, she said. We willingly accept white lies, to maintain social dignity or to keep a secret that should remain a secret. In the childhood tale, *The Emperor’s New Clothes*, the lying tailors are allowed to get away with their farce for the sake of the dignity and embarrassment of the emperor.

In contrast to white lies, deception is serious business. Meyers stated that corporate fraud cost the U.S. $997 billion in 2010, including the Enron and Madoff scandals.

Lying is an attempt to bridge the gap between what we wish for and what we really are like. You could be lied to between 10 and 200 times daily. Her research showed that strangers lied three times in the first 10 minutes of meeting one another. We lie more to strangers than coworkers. Extroverts lie more than introverts. Men lie eight times more about themselves than about other people. Women lie more to protect other people. An average married couple will lie once in every 10 interactions. An unmarried couple will lie once in every three interactions.

Lying is complex and interwoven into the fabric of our daily and business lives. We are ambivalent about the truth and access it on an as needed basis. We are against lying, but we are also covertly for it in ways our society has sanctioned.

Meyers stated that trained lie-spotters get to the truth over 90% of the time, while the rest of us will get to the truth only 54% of the time. There are no original liars. We all make the same mistakes and use the same techniques.

Here are three ways you can be your own lie detector:

Lie-spotting indicator #1: Verbal language

In studying the language of lying, using an analysis of Bill Clinton's denial of the Monica Lewinsky affair, Meyer identified what interrogators call a "non-contracted denial" when he emphatically stated "I did not" rather than the less forceful "I didn't". This non contracted denial and with his verbose use of formal language indicate a lie:

> "I want you to listen to me. I'm going to say this again: I did not have sexual relations with that woman, Miss Lewinsky. I never told anybody to lie, not a single time; never. These allegations are false. And I need to go back to work for the American people. Thank you!"

Clinton also included distancing language such as "that woman." Non-contracted denials, distancing language and qualifying language such as "to tell you the truth" or Richard Nixon's favorite, "in all candor" are red flags one can easily detect.

Lie-spotting indicator #2: Body language

In addition to verbal language, body language carries telltale signs of deception. Freud said, "No mortal can keep a secret. If his lips are silent, he chatters with his finger tips."

In contrast to the myths that liars are fidgety and won't look you in the eye, Meyer offered the tip that liars are trained to freeze their upper bodies and will look you in the eyes a little too much. In observing smiles, it is important to determine a true smile verses a fake smile. Whereas a fake smile can be created by contracting the muscles in one's cheeks alone, a true smile will also include the crow's feet of the eyes, which cannot be consciously contracted.

We are capable of rehearsing our words but not our gestures. Meyers showed a video of presidential candidate John Edwards. While being asked about fathering a child out of wedlock, he agreed to a paternity test while shaking his head no and shrugging his shoulders at the same time. His body language contradicted his verbal language and was an indication of an underlying deception. Liars shift their blink rate, point their feet toward an exit and place barrier objects between themselves and an interviewer.

Lie-spotting indicator #3: Attitude

An honest person is cooperative, enthusiastic, willing and helpful. An honest person will be infuriated if accused of a dishonest offense and would support strict punishment for those who are dishonest. In contrast, Meyer stated that a dishonest person will be withdrawn, look down and pause often when accused of dishonesty. The dishonest person's story will be peppered with extra details with chronological sequencing rehearsed. Liars will often smile when weaving their lies.

The changes in verbal language, body language and attitude are behaviors that offer little information individually. But clusters of those behavior changes are indications of lying.

The development of lie-spotting technology and science includes specialized eye trackers and infrared and MRI brain scans that can decode when one is being deceptive. Until these tools can be commercialized for everyday use, we will need to rely on human lie-spotting skills along with our intuition, awareness and mindfulness in detecting deceit. If you have these on your side, you will stand a much higher chance of not being deceived.

In a recent MarketWatch interview at Butner Federal Correction Complex in North Carolina, Bernie Madoff recommended: "The best chance for the average investor is to put money in an index fund. It's the safest and least likely place to get scammed." Legions of investors are still on the sidelines for many reasons, including a lack of trust in the investment industry and in the advisors who guide them through this unknown landscape. Just as advisors should develop their skills in lie-spotting, the advisory industry should continue to strive toward building truthful relationships with existing and prospective clients. The industry will benefit if advisors strive to distance themselves from, as Madoff described, “less scrupulous advisors incented to steer investors one way or another to get a bigger paycheck.”

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