**The psychology of deception: How Elizabeth Holmes fooled everyone about Theranos for so long.**

Theranos was once the start-up darling of Silicon Valley: It had a $9 billion valuation and claimed its technology could accurately run hundreds of tests on a few drops of blood. Then it was revealed to be a [fraud](https://www.cnbc.com/video/7000005432).

Before it all came crashing down, Elizabeth Holmes, who founded the company as a 19-year-old Stanford dropout, had won the trust of corporations like Walgreens, world leaders like Henry Kissinger and former Defense Secretary [Jim Mattis](https://www.cnbc.com/video/3000573060), and the media — she appeared [on magazine covers](https://www.recode.net/2015/10/26/11620036/theranos-ceo-elizabeth-holmess-five-best-cover-story-appearances) from Forbes to Fortune.[Holmes](https://www.cnbc.com/video/2018/06/15/elizabeth-holmes-steps-down-as-theranos-ceo.html), also Theranos’ former CEO, [quickly went](https://www.cnbc.com/video/7000020767) from an icon to a pariah facing [federal fraud charges](https://www.justice.gov/file/1072521/download) after its [stunning fall](https://www.wsj.com/articles/theranos-has-struggled-with-blood-tests-1444881901).

But questions remain: How could someone pull off such a [massive deception](https://www.cnbc.com/2018/05/22/stories-from-bad-blood-book-on-theranos-and-elizabeth-holmes.html)? And why did so many smart people buy it?

Much of it is the psychology behind deception, says [Dan Ariely](http://danariely.com/), a behavioral expert whom Holmes sought out for advice as things started to fall apart and who appears in the documentary “The Inventor: Out for Blood in Silicon Valley,” which premiered Monday on HBO. In that way, he cautions, Holmes may not be so different from the rest of us.

“If we end up with this story and say, it’s one bad apple in one industry, that’s a bad lesson,” Ariely tells CNBC Make It. “This is about the human condition.”

**Holmes believed her own lies**

“One of the more interesting things about Elizabeth was I don’t think that ... she thought she was doing anything wrong,” says Jessie Deeter, a producer of “The Inventor.” “She really believed her own story. … She believed her own bull----.”

In fact, when Deeter spent several hours with Holmes trying to persuade her to be interviewed for the documentary, “there was no sign of mea culpa,” Deeter says, adding that Holmes seemed more interested in having a film document what she believed would be Theranos’ “Phoenix-like rise back to power.” (Holmes ultimately declined to participate.)

Though that might seem delusional, Ariely, author of “The (Honest) Truth About Dishonesty,” says it’s psychology. “It’s about the stories we tell ourselves,” he says, and that’s “a slippery slope.”

Ariely points to a study he and his colleagues performed, where they looked at people’s brains as they told lies over and over again. “We saw that over time, their brains reacted less and less and less to lies, they were less sensitized,” he says.

“We start believing our own lies,” Ariely tells CNBC Make It.

Ariely also says human brains are good at remembering general statements or ideas, but they are not so good at remembering where the information came from, or sometimes even whether it is true.

It’s a psychological concept called source monitoring: “When our brain gets a message, we don’t separate very well the statement and where it came from, and we can often get very confused … and not remember,” says Ariely. “It’s why fake news works so well.”

Then, confirmation bias can kick in — people will focus on information and data that supports what they believe or want to be true, says Ariely.

**People lie more when it’s for a good cause**

“It’s a lot easier to do bad things when you think that you’re doing it for a really good cause,” says Deeter.

Indeed, according to a study Ariely details in “The Inventor,” people actually lie more when it’s for something positive, like charity. And they don’t feel emotionally conflicted about the lie. That’s because they can lie and still think of themselves as a good person, Ariely says in the documentary.

A good cause also makes a lie easier to buy.

Holmes was selling “the dream … of making the world a better place with transparent and affordable access to your own health care,” Erin Edeiken, who co-produced the film, tells CNBC Make It. “That is such an easy mission to get people behind.”

**Stories sell**

Holmes frequently talked about Theranos by telling the story of her beloved uncle who was diagnosed with skin cancer, which quickly became brain and bone cancer, according to “The Inventor.” He died too young and Holmes hoped that with the help of her blood-testing technology, “less people [will] have to say goodbye too soon.”

It was that kind of passion that hooked all kinds of people on Theranos. For instance, many venture capitalists will tell you that they invest in an entrepreneur and their vision, rather than a business plan. Tim Draper, one of the first investors in Theranos (as well as Tesla and bitcoin), says as much in the documentary.

And a good story that conveys that vision can go a long way.

“The reality is that data just doesn’t sit in our minds as much as stories do,” Ariely says in the documentary. ”[S]tories have emotions that data doesn’t. And emotions get people to do all kinds of things, good and bad.

”[I]f you think about the people who invested in [Holmes] with very little amount of data, it’s about emotional appeal and having trust and believing the story and being moved by this, and being able to tell themselves a story.”

**It’s not as easy as good versus bad**

Theranos officially dissolved [in September](https://www.cnbc.com/2018/09/05/theranos-shutting-down--look-back-at-revelations-from-bad-blood.html), just six months after Holmes [settled](https://www.cnbc.com/2018/03/14/theranos-ceo-holmes-and-former-president-balwani-charged-with-massive-fraud.html) with the Securities and Exchange Commission over charges of “massive fraud” in a deal that included a $500,000 fine and banned her from serving as a director or officer of a public company for 10 years. Holmes and former Theranos President Ramesh “Sunny” Balwani still await trial on criminal fraud charges and could face up to 20 years in prison if convicted.

Ariely says it’s “hard to tell” if everyone is capable of a lie as big as Theranos. “But I will tell you that my experience with dishonesty is that a lot of it is about slippery slopes,” he says. “Things can get very bad [for] any of us.”

“We should all be much more careful,” says Ariely.

CNBC Make It reached out to attorneys for Holmes and Balwani for comment on the HBO documentary and their pending criminal charges but received no response. A spokesperson for Kissinger’s consulting firm, Kissinger Associates, also did not respond to a request for comment. Mattis could not be reached for comment, but has declined to comment in the past. A Walgreens spokesperson did not respond to a request for comment. Both [Forbes](https://www.forbes.com/sites/elliekincaid/2019/03/15/even-before-the-elizabeth-holmes-film-hit-hbo-theranos-cast-a-long-shadow-on-healthcare-startups/#5cb961d74344) and [Fortune](http://fortune.com/2015/12/17/how-theranos-misled-me-elizabeth-holmes/) declined to comment but pointed to their own subsequent coverage of the Theranos fraud.