Another’s wasted investment is as disturbing as one’s own

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THAT human beings often continue to pour money into bad projects because they have already invested in them and cannot bring themselves to lose that investment is well known. Indeed the sunk-cost fallacy, as this phenomenon is called, is frequently cited as an example of people failing to behave in the “rational” way that classical economics suggests they should.

Though the exact psychological underpinning of the sunk-cost fallacy is debated, it might reasonably be expected to apply only when the person displaying it also made the original investment. However a study published recently in *Psychological Science* by Christopher Olivola of Carnegie Melon University suggests this is not true. In making decisions, people may also take into account the sunk costs of others.

Dr Olivola was led into his investigation by a thought experiment of the sort sometimes conducted by physicists. His imagined experimental subject had just received, as a present from a well-intentioned aunt, a gaudy and uncomfortable jumper. He asked himself whether the putative subject would be more likely to wear the jumper if he also knew that his aunt had made significant sacrifices to buy it, and he suspected that the answer would be “yes”.