24. Hastie and Dawes 2010, The sunk cost fallacy

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Decision theory, again.
What determines rational decisions? Options, values, probabilities.

Remember Pascal's wager!

Surgery example. But people *do* often let past actions influence their present decisions.

Examples:

> **Ski trip:** You've paid $90 for ski tickets and driven to the mountain. But it's cold, icy, and you and your friend are both feeling miserable. You're inclined to think that at this point you'd prefer to just drive home and watch a movie rather than attempt to ski. But your friend points out that you've already paid for the tickets, and it'd be a shame to waste them. So you decide to ski.
>
> **War:** In debates about whether to continue fighting the Vietnam war, it was common to claim that the U.S. couldn't stop fighting the war, for it they did then all the suffering and sacrifices would be "in vain".

You **honor sunk costs** when you allow past investments ("sunk costs") to sway your current decisions.

We don't *always* feel pressure to honor sunk costs! Fire insurance.

What, exactly, is thought to make this irrational?

- Only decide based on *future* consequences?
  → Going to be charged for ski tickets in future (but locked in).
  → Uncle's dying wish was that you'd go skiing today.
- Only decide based on *differential* consequences.
  → Sunk costs already "priced in" to all potential outcomes.

Q: Is the skiing example a clear instance of this, or could something else be what pushes you toward sticking with your plan?