

# The Sunk Cost Effects in Life

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Proverbs 3:5 -- Trust in the Lord with all your heart, and do not rely on your own insight.

As human beings, we face many challenges when it comes to using these bodies and brains. For about 500,000 years our brains have been evolving, yet in the last 500 years there have been so many changes that it's no wonder we seem a little overwhelmed at times.

The challenge I want to address is our tendency to cling to old ways even though they no longer work. There is an economic principle that applies at many levels of our human existence: it is called the Sunk Cost Effect. This is when we tend to become increasingly and irrationally invested in a prior decision when we've already committed substantial resources against it. A sunk cost is a cost in terms of time, money, emotional and mental energy, or some other resource that has already been paid and cannot be recovered and is irrelevant to present and future decisions.

For example: we buy a ticket to the movies and fifteen minutes into it we realize this is the worst movie, worst acting, plot, and directing that we have ever seen. But instead of leaving, we sit through the two-and-a-half-hour-long torture session because we paid \$10 for the ticket. The sunk cost of buying the ticket determines that we stay because we don't want to 'waste' the money. We are averse to feelings of loss, so we make decisions

that are not in our best interest. Our ego tells us that if we leave the movie now we are just wasting the ten bucks.

All sorts of old tapes run through our minds: waste not, want not. While that axiom may be of benefit in some cases, what about the waste of time just sitting there for a protracted period of time in dismay and displeasure?

This principle dictates completely, or at least supplements, many of the decisions in our lives. One that leaps out at me is why we stay in abusive or negative relationships. We have put in years with this person so if we leave them now, we will have ‘wasted’ all those years. We justify our decision to stay because we are trying to ‘honor’ the time we have invested in that person.

Governments are affected by this thinking. We stayed in the Viet Nam, Afghan and Iraqi Wars partially because we wanted to honor the lives of our men and women who died in those wars. But staying in unwinnable conflicts does nothing to honor those who have given their lives; it simply takes more lives while still failing to accomplish the desired ends.

Also, governments can spend money on new military technology, which aren’t always successful. Sometimes projects become obsolete before completed. Still, it feels shameful to scuttle the project—so they spend more millions to finish the venture, instead of using the money to invest in better options.

Logically, the second option makes more sense—why throw money at a project that will never be used? But the decisions we make aren't always logical. It's why we shouldn't underestimate the threat of sunk cost bias.

In 1996, David Breashears [breh-sheerz'], a famous Emmy Award-winning filmmaker and accomplished climber, had to make the decision to turn around while hiking Mt. Everest because they realized a blizzard was forming.

As they descended the mountain and headed to base camp, they passed some fellow climbers continuing the journey up. That blizzard eventually turned into the 1996 Mount Everest disaster, where eight people got caught in the storm and died.

We're often taught to applaud grit and perseverance, but there has to be a limit. Pure bravery in the face of overwhelming obstacles can lead to disaster. Had Breashears insisted on continuing their climb, his team could have lost their lives as well.

It is through Wisdom and discernment that we balance our human inclinations toward judgment clouded by pride, ego, and unbalanced emotion.

The Sunk Cost influence can cause us loss and discomfort at all levels of our life. This type of thinking drives wars, pushes up auction prices, forces us to clean our plates when we are way beyond full. It accounts for our desires to hoard and fill our homes with things we don't really want, need, or use. To avoid the pain of

sunk costs, we eat the stale tasteless tacos we just purchased because we hear a voice in our head saying, “Clean your plate. Waste not, want not.”

It is painful to let go of something that we own, whether it is tacos, a relationship, an investment, or a philosophical position we have chosen. Some of us will maintain an idea and life policy regardless of how poorly it serves us. We made this choice years ago, and by golly, I’m going to stick with it. The more people discourage us and advise us differently, the more we escalate our commitment to those failed beliefs.

I remember when Rebecca was about four years old, she told Daniel that some item was red when it was blue. The longer and more passionately Daniel argued it was blue, the more vehemently Rebecca held to it being red.

I experienced this when I was getting a degree in music. My dad said it would be advisable to pursue math. So, I was a double major in math for three or four semesters. I hated it from the first class, but I continued. I wasn’t very good at it and couldn’t see any use for it since I was in love with music. But I continued. After the second semester, I thought briefly about quitting, but I figured I had already gotten this far so how could I quit now?

I went on for another two semesters until I received a ‘C’ in a 2<sup>nd</sup> semester Calculus class; the lowest grade I had ever earned in school. It was at that point that I looked at the cost/benefit ratio and dumped the math major.

But it was tough; I didn't like the idea of having spent all that time, money, and effort on the math classes just to give up on it. But in hindsight, it was the most freeing thing I had done in years at the time. I felt such a release in pressure, and joy filled the place where math had been released.

God does that. In 2 Chronicles there is a story about King Amaziah, the new king of Judah. Judah was the southern kingdom from David's royal line; it was sounder morally and endured longer than Israel, the northern kingdom that deteriorated because of its pursuit of false gods.

As a new king, the first thing Amaziah did was kill the servants that had killed his father. Contrary to the practice of the day but in keeping with the law of Moses, he spared their children.

The next thing he did was hire 100,000 mercenaries from Israel to help reconquer Edom. But the Lord sent an un-named prophet to tell King Amaziah that to go to battle using these men would be a bad idea. Amaziah acquiesced but asked, "But I've already paid them 100 talents!" The man of God replied, "The Lord is able to give you much more than this."

Although it is difficult to completely remove all traces of the Sunk Cost features from our thinking, we can make strides to keep it in balance. The first step is to rediscover what we truly want; what is the big picture of our life? What are our life commitments to our marriage, life partner, family, friends, business, education,

financial stability, and health? A clear picture helps make decisions. When we know where we are going, decisions are easier.

The second step toward balance is that we can allow ourselves to make mistakes. Just because we made an error in judgment doesn't mean that we are condemned to that initial choice. If we want growth, we must face the truth and the pain of our choices.

Third, we can train our self to detach from the past by practicing mindfulness. Learn to ask better questions when making decisions – especially big ones: Am I making this decision based on fear and avoidance of possible pain? What are the worst-case scenarios? In what emotional state am I making up my mind? Does what I'm doing, or going to do, align with my vision and big picture? How will this make my present or future better?

Mindfulness makes us less likely to make decisions based on emotions and helps us focus on things that matter the most. Prayer, meditation, and contemplation are excellent ways to start training our mind. Being in the stillness helps us to focus on the present, to lead our attention in the right direction, and to calm ourselves down in the sea of decisions. Our goal is to make better decisions, God-based impartial choices, by exploring multiple angles and sources of information to minimize our tendency to base them on past financial, mental, and emotional investments.

Fourth, we can release our personal attachments to the final outcome. Buddhism teaches that pain is caused by emotional attachment to things, people, and ideas. Often, we try to justify our

decisions, and in an effort to escape from change and shame we cling to our original choices even though we know they have a great chance of failing.

Shuttering projects or relationships that have taken up so much money, time, and energy is never easy. The more emotional attachment we have to a result, the harder it is to admit that it won't succeed. After all, what are we supposed to do when we've been with the same person for decades? It seems like a waste to just "throw away" thirty or forty years, right? And we want to make it work – we don't want the stigma of failure.

Let go of it. Let go of the fear of failure. Let go of the fear of waste. We can ease our grip on controlling outcomes by understanding that: 1) things in this world change, grow, and evolve, and 2) that not all attempts will succeed. We still have much to learn. Remember that God makes all things work together for our good.

So when we want to ask, "What shall I do about the 100 talents...", what about everything I have already given to this failed plan, know that the answer is, "The LORD is able to give us much more than this." Our investment is a sunk cost. It's in the past; it's gone. We don't have to let it influence the decision we have to make at this present moment. Just let God take care of it.

And this leads us to the final step, which is to listen to the advice from Paul when he says in Philippians 3:13-14, "I have not achieved it, but I focus on this one thing: Forgetting the past and

looking forward to what lies ahead, I press on to reach the end of the race and receive the heavenly prize for which God, through Christ Jesus, is calling us.”

Forget what’s behind. We are to let go of looking back over our shoulders to the time spent on the path we’ve already walked, and the obstacles, risks, investments, and choices we’ve already faced. Be honest and realistic. Have we given it our all and pursued every avenue, and it’s still not working? Does the future look lighter and brighter without the source of stress and concern that is in our plans? Then perhaps it is time to cut our losses and let it go. There is a Turkish proverb that states: "No matter how far you've gone down the wrong road, turn back." Let us trust God’s plans, accept the pain of our lesson and move on, all the while trusting that God will reimburse us in magnificent ways.

My prayer is that we can stop leaning on our own understanding and turn to Christ for guidance. I pray that we can gain the wisdom to know what to release and what to keep; when to quit and when to persevere. I pray that we can renew our minds, no longer conforming to this world, and by letting go of our fear and attachment to failing endeavors we can make room for the better, brighter, and perfect plans from God.

Let us pray....