

## Sunk Costs: Questions

The articles this week are centered around the same theme. The first article is the one about the Concorde fallacy, named after the billions that the British and French governments sunk into the Concorde supersonic jet, in the fact of clear evidence that the investment was not going to pay off. The second is from the Financial Times and makes the same point about investment mistakes. The third is from my blog and while it is about A Rod and the Yankees, it addresses the question of sunk costs and how they skew decisions.

Human beings have a tough time admitting to mistakes, and the smarter and more powerful a person is, and the bigger the mistake, the more difficult it becomes to back up. It is therefore not surprising that the notion of sunk costs, so clear in principle (they should not be a factor in decision making) is ignored in practice.

1. What characteristics of human beings make them more or less willing to admit to mistakes? (Intelligence, Self confidence, Past success etc.)
2. Given your answer to the first question, is the process by which we pick the leaders of countries/companies result in individuals more or less exposed to the "sunk cost" problem?
3. If you were hired by an organization with the intent of improving how decision makers within that organization deal with "mistakes", what changes would you make in how information is provided and decisions get made to improve the organization?
4. Are you making any major decisions in your life, where sunk costs are altering the decisions? (Some of these decisions may be personal... So, be honest with yourself...)