

How Sunk Cost Fallacy Impacts 2024 Political Decision-Making

Politicians must recognize when smart thinking turns into poor judgment.

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Posted Jul. 26, 2024

Key points

- Politicians struggle with “sunk cost fallacy,” as Republicans regret Trump’s VP pick and Biden exits race.
- The political sunk cost fallacy has haunted politicians in both parties for decades.
- President Biden caved to pressure, ditched his sunk cost fallacy, and agreed to withdraw.
- The assassination attempt of Trump coalesced Republicans despite grave reservations



Source: Sora Shimazaki/Pexels

As some Republicans express buyer's remorse about Donald Trump's selection of J.D. Vance as the [“worst choice”](#) for vice president and Joe Biden ditches his stubbornness about staying in the 2024 presidential race, we're reminded that politicians, like business people, struggle with "sunk cost fallacy" and the poor cognitive decision-making that comes with it.

The term *sunk cost fallacy* was coined in 1980 by Richard Thaler, who received a Nobel Prize in 2017 for his pioneering work in behavioral economics. It describes how cognitive biases can lead people to invest in unsuccessful businesses, projects, or decisions—even something as simple as continuing to watch a boring movie—because of what they have already invested in these ventures.

Thaler suggested that “paying for the right to use a good or service will increase the rate at which the good will be utilized.”

One of Thaler’s classic examples was someone who bought a \$40 ticket to a basketball game and then drove for miles through a snowstorm because of the sunk cost of buying the ticket in the first place.

In other words, the sunk cost fallacy results in people throwing good money after bad.

Psychologists Hal Arkes and Catherine Blumer took Thaler’s economic construct beyond money in numerous real-world experiments that demonstrated “a greater tendency to continue an endeavor once an investment in money, effort, or time has been made.”

In a paper in *Psychology Research and Behavior Management*, researchers Shao Hsi-Chung and Kuo Chi-Cheng explain how psychological discomfort influences the sunk cost effect. “...Cognitive dissonance is aroused by the amount of sunk costs in [the] prior decision,” the authors say, “...and the higher the fear for large loss results from

immediate dropping out, the larger the cognitive dissonance that would emerge.”

While the authors weren't talking about a political “dropping out,” like Biden ended up doing, or a political ditching, as some people are recommending that Trump do, their point is apt in these cases. Biden knew that pulling out of the race would come with a big personal and political price tag and a risk to his reputation and legacy. Trump also knows that dumping Vance could hurt his brand.

The “Concorde Fallacy”

The sunk cost fallacy is also known as the “Concorde Fallacy,” named after the supersonic jet that the British and French governments sunk billions of dollars into. In an op-ed in [The Hill](#), before Biden withdrew, I argued that “Joe Biden’s self-inflicted electoral crisis is a classic case study in the ‘sunk cost fallacy’” and that he risked becoming the Concorde of politics.

In a [Forbes article](#) on the Concorde fallacy, the author Jim Blasingame said a mentor once asked him the “Concorde Question,” namely, “Do you have a fighting chance or just a chance to fight?”

That question was central to Biden’s dilemma. He felt that he was the best and only person to lead the nation and complete his mandate.

For Trump, the violent incident and riveting images from his attempted assassination, occurring on the eve of the Republican Convention in Milwaukee, where he was formally anointed as the Republican presidential candidate, gave the former president a massive boost within his own party.

Shunted aside were the deep concerns among many Republican voters and leaders,

especially traditional conservatives, about Trump, a convicted felon confronting numerous legal battles, including allegedly mishandling classified documents and inciting the Jan 6, 2021, insurrection on the U.S. Capitol, charges that he has denied. However, the sunk cost fallacy, his near-brush with death, and resulting mythic status ensured that they would have to either hold their nose and vote for Trump or sit out the race.

"Childless cat ladies" vs. a vice presidential pick

Now, a new conundrum has emerged for Trump with his vice presidential pick, Vance, alienating wide swaths of Americans, including actress Jennifer Aniston, as he took an indelicate swipe at "childless cat ladies" in a 2021 recent interview.

The political sunk cost fallacy has haunted politicians in both parties for decades as they have wrestled with decisions on whether to run for office, continue boondoggle projects, or send their soldiers to war.

Economist Abigail R. Hall Blanco frames her piece in the American Institute for Economic Research, titled "Sunk Cost Fallacy in the War on Terror," using the question frequently used to rationalize continued U.S. military presence in foreign countries: "Do you want their deaths to mean nothing?!"

In a 2021 article in the *National Review*, writer Sean-Michael Pigeon gives numerous examples to support his belief that the sunk cost fallacy exacerbates government deficits. "No member of Congress wants to be publicly responsible for a half-built bridge," Pigeon says, "especially when they have to tell taxpayers they still have to foot the bill for it."

In a *Washington Post* analysis, behavioral economists Lior Sheffer and Peter John Loewen attribute the sunk cost fallacy to decisions by Republican leaders in Congress

in

2017 when they embraced a controversial policy agenda—including the failed repeal of the Affordable Care Act and the passing of the deeply unpopular Tax Reform bill under then-President Trump.

In their study, published in the *American Political Science Review*, the authors interviewed several hundred incumbent lawmakers in Belgium, Canada, and Israel. They gave them a scenario in which an underperforming government-run small business loan program was due for an extension. To up the ante, the researchers also increased or decreased the budget shortfall (the decision's sunk cost) and told some participants but not others that the media had come calling about the boondoggle. The participants were then asked whether they would vote for extending the program and, if so, by how much. They did, and by a lot.

The authors concluded that “politicians are just as susceptible to the sunk-cost fallacy and other decision-making biases as are regular folks—and sometimes even more so.”

In their related *Washington Post* article, Sheffer and Loewen recommend that “perhaps when citizens elect representatives, we should ask ourselves what reasoning skills those candidates bring with them to the table and what kind of outcomes they are likely to produce as a result.”