

This article is part of a [multi-part series](#) on human misjudgment by Phil Ordway, managing principal of [Anabatic Investment Partners](#).

Consistency and commitment tendency is “a **super-power** in error-causing psychology tendencies”, “including the tendency to avoid or promptly resolve cognitive dissonance. Includes the self-confirmation tendency of all conclusions, particularly expressed conclusions, and with a special persistence for conclusions that are hard-won.”

“What I’m saying here is that the human mind is a lot like the human egg, and the human egg has a shut-off device. When one sperm gets in, it shuts down so the next one can’t get in. The human mind has a big tendency of the same sort.” -Charlie Munger

Munger cited Max Planck, noting that the really innovative new ideas in physics required a passing of the torch between generations, and the Chinese brain-washing system, which maneuvered people by getting people to make tiny little commitments and then building from there to get results that were better than those achieved by torture. He also warned of making a public disclosure of a conclusion because pounds it into your own head -- “what you’re shouting out you’re pounding in.”

“The ability to destroy your ideas rapidly instead of slowly when the occasion is right is one of the most valuable things. You have to work hard on it. Ask yourself what are the arguments on the other side. It’s bad to have an opinion you’re proud of if you can’t state the arguments for the other side better than your opponents. This is a great mental discipline.” -Charlie Munger

## Update

Consistency and commitment Tendency is also known as “**inconsistency-avoidance tendency**” and related to the concepts of cognitive dissonance. The brain is reluctant to change and we see this in all habits, both good and bad. Almost everyone has many bad habits that are long held despite knowing they are bad, but few people can list even a single bad habit they have eliminated. “First conclusion bias” is a related and powerful issue, and one often confronted in courtrooms. There are also positive effects, such as the often less-than-rational commitment and fealty of teachers, employees, public servants, religious officials, etc. As usual, one of the primary thoughts comes from Ben Franklin, who advises us that it is easier to avoid a bad habit than to break it. (“**An ounce of prevention is worth a pound of cure.**”)

“The investor’s chief problem — even his own worst enemy — is likely to be himself.” -Ben Graham <sup>[9]</sup>

Consistency and commitment bias, confirmation bias, and bias from liking/disliking are also closely related to **desirability bias**, loosely defined as the tendency to credit information you want to believe. There is a subtle but important distinction between getting confirmation of what you already believe and getting new evidence that supports something you want to believe. Sometimes there is a divergence between what you believe and what you want to believe - a pessimist who expects the worst but hopes for the best - often there is a distortion causing alignment.

A recent study polled voters ahead of the 2016 U.S. presidential election. Voters who received desirable evidence that their preferred candidate was likely to win took note of that information and incorporated it into their own subsequent beliefs about which candidate was most likely to win. But those voters who received undesirable evidence barely changed their beliefs at all.<sup>[10]</sup> And the bias in favor of the desirable evidence existed regardless of whether it confirmed or disconfirmed voters' prior beliefs. Good news is real news, but bad news is fake news.

This phenomenon of desirability bias also showed far more pronounced effects than mere confirmation bias. Evidence that merely confirmed a prior belief barely moved the needle of subsequent belief - updated beliefs changed about as much for confirming evidenced as for disconfirming evidence. And the effect was bipartisan - both Trump and Clinton supporters showed a similar-size bias in favor of desirable evidence.

"It is difficult to get a man to understand something when his salary depends on his not understanding it." -Upton Sinclair<sup>[11]</sup>

Along the lines of Max Planck's comments about physics, the same was true of baseball. There was an old guard that was very entrenched in its way of thinking, and it had to be killed off before the game could evolve. Billy Beane of *Moneyball* fame said that he was the bridge between two worlds - the former superstar prospect who looked the part but couldn't quite produce on the field, Beane went on to hire nerdy outsiders with no athletic talent. He channeled Darwin in openly seeking disconfirming evidence. He looked for people who had no baggage or prior bias and sought to apply the base rate in various situations. He took a lot of heat from the establishment - a lot of criticism, and a lot of ad hominem attacks - but he was right and he ultimately won and he changed the way the game was played.<sup>[12]</sup>

"We try and avoid the worst anchoring effect which is always your previous conclusion. We really try and destroy our previous ideas." -Charlie Munger, 2016 Berkshire Hathaway annual meeting

## Update

The power of sunk costs is especially notable in fields dominated by long-duration research projects.

“When I work I have no sunk costs. I like changing my mind. Some people really don’t like it but for me changing my mind is a thrill. It’s an indication that I’m learning something. So I have no sunk costs in the sense that I can walk away from an idea that I’ve worked on for a year if I can see a better idea. It’s a good attitude for a researcher. The main track that young researchers fall into is sunk costs. They get to work on a project that doesn’t work and that is not promising but they keep at it. I think too much persistence can be bad for you in the intellectual world.” -Danny Kahneman <sup>[13]</sup>

Value Investors Club / SumZero / investment conferences / public investment pitches all seem designed to get our commitments pounded in publicly. There is merit, to be sure, in being forced to elaborate on an idea in a scrutinized public forum, but there is also a cost in the form of anchoring. How much harder is it to reverse field and buy or sell after having publicly committed to a position?

“I never liked talking to my LPs about ideas that I had...because you become somewhat wedded to it. It’s harder to change your mind over time. You become pre-committed to your positions.” -Todd Combs <sup>[14]</sup>

“If you speak up and put it on record, you end up getting too wedded to your thesis, and that’s dangerous. Because everything that you’re invested in is a function of the circumstances on a given day. It changes.” -Ted Weschler <sup>[15]</sup>

It’s not all bad. Most investors want or need to share their thinking with their partners. The process of writing or talking about an idea can - at least occasionally - improve the result. And publicity in prominent publications like the Manual of Ideas has undoubtedly helped me both personally and professionally. But it is a very, very tricky balance.

In general, I think Fisher is right that investors waste a lot of time and money by being irrationally tied up in their prior investment ideas. The idea of “just getting back to even” is powerful and destructive.

“More money has probably been lost by investors holding a stock they really did not want until they could ‘at least come out even’ than from any other single reason.” -Phil Fisher

When it comes to investments and allocations to certain projects and managers, how many of them still have capital for the sole reason that they were previously given capital?

In politics, how many political opinions or decisions would be different if not for commitment and consistency? Prior hours devoted to an argument, public appearances, lots

of ego and social proof - it can all combine to paint otherwise decent people into a corner.

Facebook/Twitter posts also seem prone to this phenomenon of “what you’re shouting out you’re pounding in.”

“We know from the seminal work of Daniel Kahneman, author of *Thinking, Fast and Slow*, that when addressing a problem, the first thought that comes into our minds is often not the best answer we will ultimately arrive at. Our ‘fast’ brain comes up with its best approximation of the answer to a problem, but our ‘slow brain’ often has the last laugh. This raises the question of whether it makes sense to tweet...anything.” -Seth Klarman <sup>[16]</sup>

I’ve never had a Facebook account because nothing on it interests me. Twitter is a love/hate relationship for me. I find a ton of useful and interesting information on business, weather, sports. I’ve also met and interacted with some good people. But I also find a majority of the content to be a distraction, pure noise, or worse. And my rule for posting a Tweet is derived from Warren Buffett and my friend Nadav Manham at the Private Investment Brief: never say anything bad about anyone. I can’t think of a worse place to get into a war of words than Twitter. I use Twitter only to share information and pay the occasional compliment. I could spend all day going back and forth with idiots or correcting obvious mistakes being propagated by others, but where would that get me? Asynchronous communication is best used carefully and rarely.

Crossword puzzles are a favorite pastime of mine. They do fulfill some sort of urge that seeks order in chaos, but more than anything I think they’re fun and relaxing. In any case, it’s interesting how often I hear misconceptions about them from people, and I’m often asked by beginners how to improve. The short version is that crosswords are not so much a trivia contest as they are a problem-solving exercise, and the surest way to fail is to get one idea for an answer stuck in your head and torture the grid around it to try to make it work. An open, flexible mind that is not pre-committed to one answer is critical. Something as simple and straightforward as the clue “Run” could refer to the act of jogging, managing, operating, or fleeing, among several others. It could also be a stretch of time or a ravel in a knitted fabric or a path for animals. There are so many possibilities that your only choice is to wait until you have at least one more letter or hint from one of the crosses. But almost all new crossword solvers will immediately lock in on the first concept or definition that comes to mind and then try to make everything around that answer fit, even when it’s obviously not working. Experts are amazingly adept at keeping their minds completely blank. If I don’t immediately recognize the clue as answerable I move on. If possible I won’t even finish reading the clue if I don’t quickly recognize the answer because I’ve learned that once a certain idea gets in my head it is extremely difficult to dislodge it.

<sup>[9]</sup> The Intelligent Investor

<sup>[10]</sup> <https://aspredicted.org/idxgj.pdf>

<sup>[11]</sup> *I, Candidate for Governor: And How I Got Licked* (1935), ISBN 0-520-08198-6; reprinted by the University of California Press, 1994, p. 109.

<sup>[12]</sup> *Moneyball: The Art of Winning an Unfair Game*, by Michael Lewis

<sup>[13]</sup> <http://www.collaborativefund.com/blog/a-chat-with-daniel-kahneman/>

<sup>[14]</sup>

<https://finance.yahoo.com/news/warren-buffetts-money-managers-todd-combs-ted-weschler-s-peak-142643892.html>

<sup>[15]</sup>

<https://finance.yahoo.com/news/warren-buffetts-money-managers-todd-combs-ted-weschler-s-peak-142643892.html>

<sup>[16]</sup> 2016 Baupost annual letter