

“Here, my favorite example is the great Pavlov. He had all these dogs in cages, which had all been conditioned into changed behaviors, and the great Leningrad flood came and it just went right up and the dog’s in a cage. And the dog had as much stress as you can imagine a dog ever having. And the water receded in time to save some of the dogs, and Pavlov noted that they’d had a total reversal of their conditioned personality.” -Charlie Munger

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

Munger also cited the connection to programming/de-programming and cults.

### **Update**

Also known as Stress-Influence Tendency.

- “Everyone recognizes that sudden stress...will cause a rush of adrenaline...and everyone knows that stress makes Social-Proof Tendency more powerful.”
- Light stress can slightly improve performance - say, in examinations - whereas heavy stress can cause dysfunctions or depression.

One of the more vivid - and financially tragic - examples I’ve seen of this tendency was in the GFC. Many, many people were acting in their personal and professional portfolios based on responses to these tendencies rather than any reasoned thought process. Many people’s lives were ruined or considerably worsened because they listened to someone on TV and sold at the depths. Many others were forced into it by practicalities, of course, but even Steve Bannon cites the example of his father sitting glued to the TV in October 2008 and being convinced to sell his entire retirement savings - a grubstake in AT&T amassed over five decades working for the company. “As he toggled between TV stations, financial analysts warned of economic collapse and politicians in Washington seemed to mirror his own confusion....[On] Oct. 6, financial analyst [sic] Jim Cramer told ‘Today’ show viewers to pull money from the stock market if they needed any cash for the next five years...So he did the unthinkable. He sold. Steve Bannon says the warning[s] spooked his father. ‘I could see his confidence in the system was shattered,’ Steve Bannon recalls. ‘He was older, in his 80s. But all these guys from the Depression, it’s a risk-averse generation because of the horrible things they saw in their youth. He was rattled.’ Marty Bannon, now 95 years old, still regrets the decision and seethes over Washington’s response to the economic crisis. His son Steve says the moment crystallized his own antiestablishment outlook and helped trigger a decadelong political hardening.”<sup>[66]</sup>

“Rationality is essential when others are making decisions based on short-term greed or fear. That is when the money is made.” - Warren Buffett<sup>[67]</sup>

[66]

<https://www.wsj.com/articles/steve-bannon-and-the-making-of-an-economic-nationalist-1489516113>

[67] *Fortune*, October 30, 1989