The ‘What the Hell’ Effect

> If, by chance, you are served an unusually large slice of pizza, compared with what others appear to be getting, would that experience incline you, some minutes later, to eat more cookies or fewer when platefuls came your way? That depends, it turns out, on whether you are on a diet. Those who are not eat fewer cookies, whereas those who are see the excessive pizza as a licence to pig out. It is a demonstration of what Janet Polivy, a psychologist at the University of Toronto, refers to as the “what the hell” effect—a phenomenon familiar from real life to which Dr Polivy has given scientific respectability, most recently in a paper published in the latest edition of *Appetite*.

That’s an extract from this piece in *The Economist*. It got me thinking about the impact of the ‘what the hell’ effect on investors. Many investors work hard to establish a framework, system or set of principles which they believe will serve them well in the investing world. Then, when something goes wrong, or the market crashes, or they slip up just once, the discipline and hard work get thrown out the window. It’s so easy to fall back into the habits of old, and before you know it one slip-up turns into a series of compounding errors.

I do have my doubts about the results of the study. People on a diet might be more susceptible to pigging out on cookies to start with – that’s why they need the diet. Perhaps it’s the same with investing.