

# In bad times, it's hard to do nothing

**Humans have a strong urge to try to counteract events**

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On Oct. 10, 2002, Hillary Rodham Clinton stood in the Senate to explain why she was authorizing President Bush to use force against Iraq: "In balancing the risks of action versus inaction, I think New Yorkers who have gone through the fires of hell may be more attuned to the risk of not acting. I know that I am."

As the war went from triumph to fiasco — the death toll in American lives crossed 4,000 last month — Clinton told angry Democrats she had been misled by the Bush administration's selective use of intelligence about the threat posed by Saddam Hussein. What she failed to say is that, by her own admission, her decision was the result of a powerful psychological bias.

The action bias, or the desire to do something rather than nothing when you have just been through a terrible experience, plays a powerful role in our lives. It influences individuals and companies, investors and leaders. You can see the action bias on display in current thinking on the housing and economic crises, in the bitter debates over the war in Iraq — even in discussions about how to fix a football team that's a perennial loser.

When people suffer losses and confront the possibility of even greater reverses — it doesn't matter if you are talking about a terrorist attack or a meltdown in retirement savings — it is psychologically difficult to do nothing, to hold course. This is true even when the action you contemplate produces an outcome that leaves you demonstrably worse than you were in the first place.

While the Iraq war might be Exhibit A for the action bias, the phenomenon is a familiar face in most presidential contests. Elections revolve around problems the nation is confronting, so it is not surprising that candidates routinely spout the mantra of change. When things feel wrong, we experience a compelling attraction to a change of course — any change. This is the definition of the action bias.

Economist Ofer Azar recently came up with a novel way to study the insidious nature of the action bias. He examined whether soccer goalies were more likely to stop penalty kicks when they dived to the left, dived to the right or stayed in the center of the goal. In a study of 286 penalty kicks faced by elite Israeli goalkeepers, Azar found that goalies had the best chance of stopping a kick when they remained in the center — partly because when they dived to one side, they left themselves with no chance of stopping a kick aimed at the other side or a kick aimed dead center. And even when they correctly guessed the direction of the kick, they still had only a 1-in-4 chance of stopping a goal.

Despite the clarity of the evidence, Azar found that goalies dived to one side or the other 93 percent of the time.

During the 2006 World Cup soccer championship, which ended after a nine-penalty-kick shootout between Italy and France, both the French and Italian goalies dived to one side or the other every single time. Neither got so much as a hand on the ball. The goalies failed to correctly guess the direction of the penalty kick seven times (including two that were dead center) and failed to stop goals the two times they did guess right. Italy won only because one of France's penalty kicks hit the crossbar.

Azar, who works at the Guilford Glazer School of Business and Management at Ben-Gurion University in Israel, believes goalies, like politicians and Federal Reserve chairmen who have to decide whether to change interest rates, are powerfully influenced by norms. In bad times — and it doesn't matter whether you are trying to stop penalty kicks or a recession — the norm is to act. If you're a goalie, you dive to one side. If you are chairman of the Fed, you cut rates. If you are a politician trying to head off a terrorist attack, you gravitate toward action.

One of the insights produced by Azar and Marcel Zeelenberg, a social psychologist at Tilburg University in the Netherlands who also studies the action bias, is that different biases are activated in good and bad times. When things are going badly, it is difficult to choose inaction. When things are going well, however, it is difficult to make any changes — because who wants to be blamed for ruining something that is going well?

This is why, when your stock portfolio is performing spectacularly, the powerful temptation is to leave it exactly the way it is, rather than sell and take profits. But when your stocks are doing poorly, there is a powerful urge to cut and run. Buying high and selling low is a poor investment strategy, but it makes perfect psychological sense.

The same phenomenon is at work when it comes to people's beliefs about their careers and relationships. When things are going well, there is a tendency to stagnate, rather than innovate and make things even better. When things are going poorly, on the other hand, our bias is to flail.

In the aftermath of the attacks of Sept. 11, 2001, the action bias explains why Clinton and most U.S. politicians were biased toward action — any action. Trying something that failed was psychologically preferable to facing accusations of having done nothing.

Zeelenberg rhetorically summed up the fear that drove America's leaders in the run-up to the Iraq war: "What good is a politician who lets bad things happen to people?"