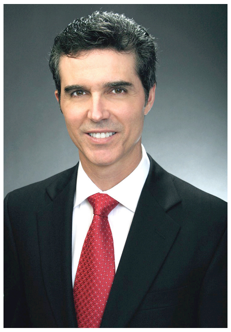

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Sad? It May Cost You

Sadness is an emotion. But does sadness affect our financial decisions? According to the “sadder-but-wiser” school of thought, sadness should motivate us to be more analytical and patient in our decisions, and scrutinize the financial implications of our choices. However, past research by Jennifer S. Lerner (Harvard Kennedy School) and others found that experimentally-primed “sad” decision makers were willing to pay more money for a commodity than those in a neutral state of mind. The negative emotion of sadness caused them to value items more highly, rather than devalue them. The sad participants did not even recognize that their feelings caused them to drive up the price they paid.

In their new research of over 600 subjects, Lerner and her colleagues studied thought processes of sad individuals, versus neutral individuals. They found that sadness triggered “myopic misery,” namely, impatience that motivated sad decision makers to accept a smaller immediate reward, rather than a larger reward in the future. Sadness increases impatience, because sadness, arising from a sense of loss, triggers an implicit goal of reward replacement. Until the reward is received, the sad feeling may create a sense of urgency.

In the context of negotiations, be attuned to the danger that “sad” decision makers may be motivated to make short-sighted deals to satisfy immediate needs. In litigated cases, where parties are either “buying” or “selling” the lawsuit, be aware that a negotiator undergoing the stress of sadness may buy too high, or sell too low. Don’t be sad twice.

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