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Some of the most notorious examples of the power of peer pressure are illustrated through experiments led by Solomon Asch of Swarthmore College. In one experiment, Asch asked students to participate in a “vision test” in which they were asked to match two lines having the same length. One of the students was singled out as the subject, while all the other students were told to be conspiratorial and consistently and purposefully give obviously wrong answers to the vision test. When the conspirators gave the wrong answer, so did the subject, even when it was obviously wrong. And this result was independent of the level of education of the subject, which Asch thought might overcome the tendency to conform. Training is helpful, but it is not bulletproof.

Having a partner decreases conformity → hang out with other value investors.

The smaller the opposing group, the less conformity.

Written (rather than public) responses decrease conformity → keep your strategy to yourself (unless you are with other value investors).

UCLA’s Noah Goldstein studied the power of peer group pressure using different messages to get hotel guests to reuse towels. Here are two different signs that were tested:

1. Help us reduce our energy bill.
2. Help us save the environment.

When greeted with the first sign, 16% of guests reused towels – not a great response and not a surprise given that the message was entirely self-serving for the hotel. By contrast, when encountering the appeal to save the environment in the second sign, guests reused their towels almost twice as often, at 31%. Goldstein added a sentence to the second message: “Last year 75% of guests in this hotel reused their towels and helped save the environment.” By adding that second sentence, towel reuse increased to 44%. When Goldstein changed “75% of guests in this hotel” to “75% of guests in this room,” he saw a further increase to 49%.

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Stanley Milgram also performed experiments to test people’s willingness to conform. He tested a subject’s willingness to inflict pain on another person at the direction of an authority figure. Subjects thought that they were participating in an experiment to determine how much electric current a person can tolerate. An experimenter asked them to apply increasing amounts of electrical shock to a person in an adjoining room. As the voltage they were asked to apply increased, so did the excruciating screams. In reality, there was no electricity and the pleas for relief from the person in the next room were feigned. But the subject who was being asked to apply the voltage did not know that. Sixty-five percent of subjects obeyed authority figures that instructed them to perform acts that conflicted with their personal conscience. Whether influence comes from peers or authority, the pressure to conform is powerful.