

# Escalation of Commitment

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June 12, 2026

## RECOMMENDED CITATION

mohammad looti (2026). *Escalation of Commitment*. PSYCHOLOGICAL SCALES. Retrieved from <https://scales.arabpsychology.com/?p=38396>

Escalation of commitment was first described by Barry M. Staw in his 1976 paper, "Knee deep in the big muddy: A study of escalating commitment to a chosen course of action". More recently the term sunk cost fallacy has been used to describe the phenomenon where people justify increased investment in a decision, based on the cumulative prior investment, despite new evidence suggesting that the cost, starting today, of continuing the decision outweighs the expected benefit. Such investment may include money, time, or -- in the case of military strategy -- human lives. The phenomenon and the sentiment underlying it are reflected in such proverbial images as Throwing good money after bad and In for a dime, in for a dollar (or In for a penny, in for a pound).

The term is also used to describe poor decision-making in business, government, information systems in general, software project management in particular, politics, and gambling. The term has been used to describe the United States commitment to military conflicts including Vietnam in the 1960s - 1970s and in Iraq in the 2000s, where dollars spent and lives lost justify continued involvement.

Alternatively, irrational escalation (sometimes referred to as irrational escalation of commitment or commitment bias) is a term frequently used in psychology, philosophy, economics, and game theory to refer to a situation in which people can make irrational decisions based upon rational decisions in the past or to justify actions already taken. Examples are frequently seen when parties engage in a bidding war; the bidders can end up paying much more than the object is worth to justify the initial expenses associated with bidding (such as research), as well as part of a competitive instinct.

## Examples

The dollar auction is a thought exercise demonstrating the concept.

After a heated and aggressive bidding war, Robert Campeau ended up buying Bloomingdale's for an estimated 600 million dollars more than it was worth. The Wall Street Journal noted that "we're not dealing in price anymore but egos". Campeau was forced to declare bankruptcy soon afterwards.

Often, when two competing brands are attempting to increase market share, they end up spending money without either increasing market share in a significant manner. Though the most commonly cited examples of this are Maxwell House and Folgers in the early 1990s, this has also been seen between Coke and Pepsi, and Kodak and Polaroid. This can be seen as a commercial application of the Red Queen hypothesis.