



## HUMAN BEHAVIOR IN A CRISIS: JUST BREATHE

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What is your greatest single stress in this moment? Most likely, you have trouble narrowing it down to just one. Perhaps it'd be easier to list your top three. Still not enough? How about your top five or top ten? The point is that we keep our daily stresses top-of-mind virtually all the time and these have only compounded in our current crisis. Sometimes, it's downright suffocating.

This elicits a follow-up question: What were you doing 500 breaths ago? What was on your mind? Likely, you can't remember. How many seconds does a breath translate into anyway? This is because many of the routines we take for granted have become TOO automatic. When breathing, this forgetfulness is a good thing. How would we ever get to sleep otherwise? In the case of the aforementioned stresses, however, we've conditioned ourselves to think such worries are as natural as breathing. Your sympathetic nervous system (SNS) would beg to differ.

### We All Need to Calm Down

You see, the SNS controls the body's "fight or flight" response, among many other things. In sudden, acute situations, a stress response is lifesaving; it forces you to dive out of the way of that oncoming truck. Over prolonged periods, though, the nagging, low-grade stress of modern life damages the body, increases blood pressure and causes weight gain. In effect, after millennia of evolution rewarding such responses, our bodies and minds are at now odds these days.

The good news? There are ways to mitigate this stress. One of the most effective was developed by Navy SEALs. In life or death situations, intelligent decisions are vital and stress is often antagonistic to

such required clear-headedness. Enter: “Combat Tactical Breathing,” or, “Box Breathing.” It’s the deliberate act of taking a deep breath, holding it, exhaling, then waiting again for four seconds at each phase. This action manually engages the Parasympathetic Nervous System (PSNS), thus overriding the SNS. In so doing, SEALs literally force their bodies to calm down and assess the situation before enacting a plan.

## **Take a Breath...Acknowledge the h-factor**

Let’s examine how this relates to Part I and Part II in this series. In the first, we discussed Cognitive Bias and how our brains are hardwired to process information. In the second, we discussed populism, “fake news” and how this disinformation is relayed to us. Herein, we bring those internal and external activities together in hopes of identifying and mitigating the h-factor—the human tendency to interpret vague or ambiguous information in a biased way.

One of the pivotal ways to manage this h-factor is to first acknowledge there are things we CANNOT know. To be clear, this isn’t simply an admission of ignorance to a known activity—I can envision a musical instrument, such as the Mongolian morin khuur, and admit I have no idea how to play it. No, acknowledging there are things we cannot know implies a deeper understanding of the limits of knowledge. As studies by financial servicing expert, DALBAR, Inc. has proven many times, for example, individuals who check their portfolio too frequently often underperform those who take a more measured approach. In essence, it’s imperative to do the equivalent of Box Breathing regarding one’s portfolio and acknowledge one can’t exert overt control over the unknown.

## **Don’t Let Your Own Mind Deceive You**

In everyday life, one doesn’t taste the white material in the table shaker to ensure it is salt and one doesn’t test the structural stability of a chair before planting one’s behind in it. At a certain point, a level of trust in previous experience is warranted. These techniques, known as heuristics, are both the most efficient and the bluntest of tools. In problem solving, heuristics place a much greater emphasis on practicality even though the result might be imperfect or, even, irrational.

Similar to the breathing techniques Navy SEALs use to reset their SNS, these heuristics also require management when making critical decisions. The human condition has been evolving for millennia and, while these systems might’ve served us well in the wild, they’re not always optimal in modern life. Back then, you didn’t stop to ponder the veracity of a sabretooth in the bush...you ran! As heuristics go, it was likely the simplest and most effective ever. It favored those that ran first and ran the fastest.

Complex topics such as national leadership or financial investment often work in opposition to such heuristics, though. Your favorite political candidate might be an atrocious leader in a crisis; the fund with the best trailing performance rarely repeats such history. But, while choosing between a ham or turkey sandwich for lunch involves little long-term difference, many people use these same simplistic heuristics when voting or managing their investment portfolio.

A populist may tell you what you want to hear but, by acknowledging there are things we cannot know, it's pivotal to imagine such a scenario in a different context. Would you visit a doctor who only told you what you wanted to hear? Or a priest? If the answer is, "no," then these are the exact heuristic biases that need to be exorcised when making such crucial judgments. Admitting one's ignorance is not enough; one must weigh the probabilities at hand and also acknowledge potential deleterious risks not commonly imagined. There is always both an opportunity cost AND an avoidance cost in important decisions—often, avoiding a disaster is more important than pursuing a fortune. Relying on animalistic instincts rather than proven data only increases the risk of human biases created in the form of the h-factor.

## **Control the Heuristics...Control the h-factor**

Someone's mother has four sons; three are named North, East and West. Can you name the fourth son? By now, you know that, while the answer seems like South, it's not—you're too sly for that. You know some contextual sleight of hand is at work. But what could the name be? Perhaps you could begin by stripping out extraneous information. We know that the names of the other three brothers are irrelevant. All we know is that Someone's mother has a fourth son.

A-ha! The capitalized, "Someone." Did we spoil the surprise? Did you overlook the capitalization of the first word and fall for a common contextual heuristic? You may have...if you answered anything other than, "Yes." Because you see, the question asks if you CAN name the fourth son. If the directive had been, "Please name the fourth son," the proper response would've been, "Someone." But can you name the fourth son? Sure, you can! We just gave you the answer.

The point here is to recognize our own fallibility in everyday life. While many likely answered the riddle above correctly—congratulations! —others may have stumbled over the question's details. Yet such confusion over these details were caused by common heuristics that have served humanity mightily throughout the ages. Cognitive bias likely saved our ancestors from being ravaged by tigers; the ambiguities of language allowed us to imagine stories told in the past, present and future. Heuristics most certainly have a beneficial role in day-to-day life.

But there are exceptions. When it comes to nuanced arenas such as politics and investment, it is imperative to be skeptical of the easiest path. Populists will exploit disinformation; your portfolio's performance will suffer from uncompensated risk. If we are to think in a more evolved manner, we need to work diligently to make better choices, stay informed and overcome the h-factor.

## Disclosures

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### *h-factor*

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