

student who had made the highest bid for each of the products would step up to the front of the class, pay for the product,* and take it with them.

The students enjoyed this class exercise, but when I asked them if they felt that writing down the last two digits of their social security numbers had influenced their final bids, they quickly dismissed my suggestion. No way!

When I got back to my office, I analyzed the data. Did the digits from the social security numbers serve as anchors? Remarkably, they did: the students with the highest-ending social security digits (from 80 to 99) bid highest, while those with the lowest-ending numbers (1 to 20) bid lowest. The top 20 percent, for instance, bid an average of \$56 for the cordless keyboard; the bottom 20 percent bid an average of \$16. In the end, we could see that students with social security numbers ending in the upper 20 percent placed bids that were 216 to 346 percent higher than those of the students with social security numbers ending in the lowest 20 percent (see table on the facing page).

Now if the last two digits of your social security number are a high number I know what you must be thinking: “I’ve been paying too much for everything my entire life!” This is not the case, however. Social security numbers were the anchor in this experiment only because we requested them. We could have just as well asked for the current temperature or the manufacturer’s suggested retail price (MSRP). Any question, in fact, would have created the anchor. Does that seem rational? Of course not. But that’s the way we are—goslings, after all.†

*The price the highest bidder paid for an item was based not on his own bid, but on that of the second highest bidder. This is called a second price auction. William Vickrey received the Nobel prize in economics for demonstrating that this type of auction creates the conditions where it is in people’s best interest to bid the maximum amount they are willing to pay for each item (this is also the general logic behind the auction system on eBay).

†When I’ve tried this kind of experiment on executives and managers (at the MIT Execu-