

But there's also another kind of herding, one that we call self-herding. This happens when we believe something is good (or bad) on the basis of our own previous behavior. Essentially, once we become the first person in line at the restaurant, we begin to line up behind ourselves in subsequent experiences. Does that make sense? Let me explain.

Recall your first introduction to Starbucks, perhaps several years ago. (I assume that nearly everyone has had this experience, since Starbucks sits on every corner in America.) You are sleepy and in desperate need of a liquid energy boost as you embark on an errand one afternoon. You glance through the windows at Starbucks and walk in. The prices of the coffee are a shock—you've been blissfully drinking the brew at Dunkin' Donuts for years. But since you have walked in and are now curious about what coffee at this price might taste like, you surprise yourself: you buy a small coffee, enjoy its taste and its effect on you, and walk out.

The following week you walk by Starbucks again. Should you go in? The ideal decision-making process should take into account the quality of the coffee (Starbucks versus Dunkin' Donuts); the prices at the two places; and, of course, the cost (or value) of walking a few more blocks to get to Dunkin' Donuts. This is a complex computation—so instead, you resort to the simple approach: “I went to Starbucks before, and I enjoyed myself and the coffee, so this must be a good decision for me.” So you walk in and get another small cup of coffee.

In doing so, you just became the second person in line, standing behind yourself. A few days later, you again walk by Starbucks and this time, you vividly remember your past decisions and act on them again—voilà! You become the third person in line, standing behind yourself. As the weeks