

second sound for x cents as well, then I can surely do this one for x cents, too!” And that’s what they did. Those who had first encountered the 10-cent anchor accepted low prices, even after 90 cents was suggested as the anchor. On the other hand, those who had first encountered the 90-cent anchor kept on demanding much higher prices, regardless of the anchors that followed.

What did we show? That our first decisions resonate over a long sequence of decisions. First impressions are important, whether they involve remembering that our first DVD player cost much more than such players cost today (and realizing that, in comparison, the current prices are a steal) or remembering that gas was once a dollar a gallon, which makes every trip to the gas station a painful experience. In all these cases the random, and not so random, anchors that we encountered along the way and were swayed by remain with us long after the initial decision itself.

NOW THAT WE know we behave like goslings, it is important to understand the process by which our first decisions translate into long-term habits. To illustrate this process, consider this example. You’re walking past a restaurant, and you see two people standing in line, waiting to get in. “This must be a good restaurant,” you think to yourself. “People are standing in line.” So you stand behind these people. Another person walks by. He sees three people standing in line and thinks, “This must be a fantastic restaurant,” and joins the line. Others join. We call this type of behavior herding. It happens when we assume that something is good (or bad) on the basis of other people’s previous behavior, and our own actions follow suit.