The same basic principle would also apply if the government one day decided to impose a tax that doubled the price of gasoline. Under conventional economic theory, this should cut demand. But would it? Certainly, people would initially compare the new prices with their anchor, would be flabbergasted by the new prices, and so might pull back on their gasoline consumption and maybe even get a hybrid car. But over the long run, and once consumers readjusted to the new price and the new anchors (just as we adjust to the price of Nike sneakers, bottled water, and everything else), our gasoline consumption, at the new price, might in fact get close to the pretax level. Moreover, much as in the example of Starbucks, this process of readjustment could be accelerated if the price change were to also be accompanied by other changes, such as a new grade of gas, or a new type of fuel (such as corn-based ethanol fuel).

I am not suggesting that doubling the price of gasoline would have no effect on consumers' demand. But I do believe that in the long term, it would have a much smaller influence on demand than would be assumed from just observing the short-term market reactions to price increases.

ANOTHER IMPLICATION OF arbitrary coherence has to do with the claimed benefits of the free market and free trade. The basic idea of the free market is that if I have something that you value more than I do—let's say a sofa—trading this item will benefit both of us. This means that the mutual benefit of trading rests on the assumption that all the players in the market know the value of what they have and the value of the things they are considering getting from the trade.

But if our choices are often affected by random initial anchors, as we observed in our experiments, the choices and