

Texas) to moderately priced cities (say, Pittsburgh) don't increase their spending to fit the new market.* Rather, these people spend an amount similar to what they were used to in the previous market, even if this means having to squeeze themselves and their families into smaller or less comfortable homes. Likewise, transplants from more expensive cities sink the same dollars into their new housing situation as they did in the past. People who move from Los Angeles to Pittsburgh, in other words, don't generally downsize their spending much once they hit Pennsylvania: they spend an amount similar to what they used to spend in Los Angeles.

It seems that we get used to the particularities of our housing markets and don't readily change. The only way out of this box, in fact, is to rent a home in the new location for a year or so. That way, we adjust to the new environment—and, after a while, we are able to make a purchase that aligns with the local market.

SO WE ANCHOR ourselves to initial prices. But do we hop from one anchor price to another (flip-flopping, if you will), continually changing our willingness to pay? Or does the first anchor we encounter become our anchor for a long time and for many decisions? To answer this question, we decided to conduct another experiment—one in which we attempted to lure our participants from old anchors to new ones.

For this experiment we enlisted some undergraduate students, some graduate students, and some investment bankers who had come to the campus to recruit new employees for their firms. Once the experiment started we presented our

*The result was not due to wealth, taxes, or other financial reasons.