

## Lecture 29

### Status Quo Bias

This bias states that we prefer our current state over other states available.

Several studies have been done where groups were asked to choose between different situations that they would like to be in. The participants did not belong in a situation to begin with so they did not have a “status quo”.

Those were large groups and were selected at random so we expect that re-production of the study would yield similar behavior in the choices people make. In those studies another group would be put in a random choice and then asked if they would change to another choice. Since these people were selected at random we would expect for most to change to the choice that best suited them. We also expected for the choices selected to be similar to the choices selected by the group who did not start with a “status quo” choice. This did not happen as most people just remained in the choice they started out with.

The more choices the studies introduced the more the status quo became stronger and people had a larger tendency to remain in it.

Further studies have been done to try to explain why we behave this way. These studies put participants in two different status quo situations and were asked if they would change to go to the other situation. The two situations had something better and something worst from one another. Expectation was for the participants to change to the situation that best suited them and since the participants were placed randomly it was expected that half the group would change to the other situation. This did not happen as most people stayed in the situation that they were placed in. This brought the studies to conclude that we value the loss that we get from leaving the status quo in a greater manner than we evaluate the advantage we get from leaving it.

### How it affects our trading:

Traders prefer staying in a position that isn't moving. That isn't making them money instead of just letting it go and trying another trade. They prefer remaining in what they already know. As per the bias, the more choices someone has the stronger the bias. There are thousands of stocks out there so why stay stuck on this one stock you have? The more choices we have the stronger the status quo.