Foundations of Behavioural Economics

Behavioural Economics · Answer Key · 25 Questions

1. Which researcher is widely considered the 'father of behavioural economics' for his work on bounded rationality?

A) Herbert Simon
B) Daniel Kahneman
C) Richard Thaler
D) Amos Tversky

2. What is the name of the 1979 paper by Daniel Kahneman and Amos Tversky that introduced Prospect Theory?

A) Thinking, Fast and Slow
B) The Foundations of Choice
C) Prospect Theory: An Analysis of Decision under Risk
D) The Endowment Effect

3. Which cognitive bias, first described by Richard Thaler, refers to the tendency to value an object more simply because one owns it?

A) Anchoring Effect
B) Endowment Effect
C) Confirmation Bias
D) Sunk Cost Fallacy

4. Who was the first behavioural economist to be awarded the Nobel Memorial Prize in Economic Sciences in 2002?

A) George Akerlof
B) Daniel Kahneman
C) Richard Thaler
D) Robert Shiller

5. In which decade did the field of 'Behavioural Economics' formally emerge as a distinct area of study?

A) 1950s
B) 1970s
C) 1990s
D) 2010s

6. What psychological concept did Daniel Kahneman and Amos Tversky define as the tendency to rely too heavily on the first piece of information offered?

A) Anchoring

B) Framing

C) Availability Heuristic

D) Loss Aversion

7. Which popular book, co-authored by Richard Thaler and Cass Sunstein, popularized the concept of 'nudge' theory?

A) Misbehaving

B) Nudge

C) Predictably Irrational

D) Choice Architecture

8. What is the term for the tendency of people to prefer avoiding losses to acquiring equivalent gains?

A) Risk Neutrality

B) Loss Aversion

C) Utility Maximization

D) Hyperbolic Discounting

9. Which behavioural economist wrote the 2008 book 'Predictably Irrational'?

A) Dan Ariely

B) Richard Thaler

C) Daniel Kahneman

D) Robert Frank

10. The 'Ultimatum Game' is an experimental economics game first used in 1982 to study what concept?

A) Fairness

B) Market Efficiency

C) Investment Risk

D) Hyperbolic Discounting

11. Which term did Richard Thaler coin to describe the design of different ways in which choices can be presented to consumers?

A) Choice Architecture

B) Decision Mapping

C) Preference Shaping

D) Nudge Design

12. In behavioural economics, what term describes the tendency to value immediate rewards more highly than future rewards?

A) Hyperbolic Discounting
B) Time Inconsistency
C) Delayed Gratification
D) Opportunity Cost

13. Which economist conducted the 'beauty contest' game experiments to study how people anticipate the reasoning of others?

A) John Maynard Keynes
B) Daniel Kahneman
C) Herbert Simon
D) Vernon Smith

14. What theory suggests that individuals make decisions based on the potential value of losses and gains rather than the final outcome?

A) Prospect Theory
B) Expected Utility Theory
C) Game Theory
D) General Equilibrium Theory

15. Which cognitive heuristic, identified by Tversky and Kahneman, describes the tendency to estimate the probability of an event based on how easily examples come to mind?

A) Availability Heuristic
B) Representativeness Heuristic
C) Affect Heuristic
D) Simulation Heuristic

16. What is the term for the observation that people are generally satisfied with a 'good enough' solution rather than the optimal one?

A) Satisficing
B) Optimizing
C) Maximizing
D) Anchoring

17. Richard Thaler won the Nobel Prize in Economic Sciences in which year?

A) 2017
B) 2002
C) 2015
D) 2020

18. Which experimental method is commonly used in behavioural economics to test how people behave in controlled, incentive-compatible environments?

A) Laboratory Experiments
B) Survey Methods
C) Historical Analysis
D) Regression Modeling

19. Who is the author of 'Thinking, Fast and Slow', a book that synthesizes decades of behavioural research?

A) Daniel Kahneman
B) Amos Tversky
C) Richard Thaler
D) Dan Ariely

20. What term describes the phenomenon where individuals are more likely to accept an offer when it is presented as a 'gain' rather than a 'loss'?

A) Framing Effect
B) Anchoring Effect
C) Halo Effect
D) Dunning-Kruger Effect

21. In 1974, Tversky and Kahneman published a seminal paper in 'Science' magazine about which topic?

A) Judgment under Uncertainty
B) The Wealth of Nations
C) Market Equilibrium
D) Rational Choice

22. Which behavioural economist focused extensively on the study of 'mental accounting'?

A) Richard Thaler
B) Daniel Kahneman
C) Amos Tversky
D) George Loewenstein

23. The concept of 'bounded rationality' was first introduced in which decade?

A) 1950s
B) 1970s
C) 1980s
D) 1990s

24. Which economist is famous for his experimental work in 'market design' and won the Nobel Prize in 2002 alongside Daniel Kahneman?

A) Vernon Smith
B) Robert Shiller
C) George Akerlof
D) Joseph Stiglitz

25. What name is given to the unit in the UK government established in 2010 to apply behavioural insights to public policy?

A) Behavioural Insights Team
B) The Nudge Unit
C) Policy Labs
D) Choice Agency