The Science of Decisions

Behavioural Economics · Answer Key · 18 Questions

1. What is the term for the tendency to rely too heavily on the first piece of information offered when making a decision?

A) Anchoring bias
B) Loss aversion
C) The bandwagon effect
D) Confirmation bias

2. Which concept describes why people feel the pain of losing something more strongly than the joy of gaining the same thing?

A) Choice paralysis
B) Loss aversion
C) Endowment effect
D) Sunk cost fallacy

3. What is the name for the human tendency to follow the actions or beliefs of a larger group of people?

A) Hindsight bias
B) Availability heuristic
C) The bandwagon effect
D) Framing effect

4. When a person overvalues an object simply because they own it, this is known as:

A) The endowment effect
B) The halo effect
C) The scarcity principle
D) Optimism bias

5. What is the term for the tendency to search for, interpret, and remember information that confirms your existing beliefs?

A) Sunk cost fallacy
B) Confirmation bias
C) Availability heuristic
D) Framing effect

6. The tendency to judge the probability of an event based on how easily examples come to mind is called:

A) Loss aversion
B) Anchoring
C) Availability heuristic
D) Social proof

7. What is the 'Sunk Cost Fallacy'?

A) Spending more because you already invested time or money
B) Choosing the cheapest item
C) Saving money for later
D) Ignoring prices entirely

8. Which effect suggests that people react differently to a choice depending on whether it is presented as a loss or a gain?

A) The decoy effect
B) The framing effect
C) The peak-end rule
D) The paradox of choice

9. What is it called when having too many options makes it harder for a person to make a final decision?

A) Choice overload
B) The scarcity principle
C) Mental accounting
D) Reciprocity

10. What is the name of the principle where people place a higher value on items that are rare or in short supply?

A) The bandwagon effect
B) The scarcity principle
C) The anchoring bias
D) The halo effect

11. The tendency for people to believe that positive traits in one area (like being attractive) imply positive traits in others (like being smart) is known as:

A) The halo effect
B) The contrast effect
C) The framing effect
D) The availability heuristic

12. What describes the tendency to overestimate one's own abilities or the likelihood of positive events?

A) Optimism bias
B) Negativity bias
C) Hindsight bias
D) Choice overload

13. What is the 'Peak-End Rule' in psychology?

A) Judging an experience by its start and finish
B) Judging an experience based on its most intense point and its end
C) Making decisions only at the end of a week
D) Choosing the first option presented

14. What is the phenomenon where people perceive a stimulus differently based on what it is compared to?

A) The contrast effect
B) The endowment effect
C) The anchoring bias
D) The bandwagon effect

15. What term describes the tendency to believe that an event was predictable after it has already occurred?

A) Hindsight bias
B) Confirmation bias
C) Optimism bias
D) Availability heuristic

16. What is 'Mental Accounting'?

A) The habit of categorizing money into different 'buckets' based on where it came from
B) Calculating interest rates
C) Saving money in a bank
D) The process of trading goods

17. The tendency to focus on information that is easily accessible in memory is an example of what?

A) Heuristics
B) Economic rationalism
C) Barter systems
D) Opportunity cost

18. Which bias explains why people often prefer the status quo (keeping things as they are) over making a change?

- **A) Default bias**
- B) Confirmation bias
- C) Hindsight bias
- D) Framing bias