Behavioural Economics Fundamentals

Behavioural Economics · Answer Key · 11 Questions

1. Which two researchers developed Prospect Theory in their landmark 1979 paper?

A) Daniel Kahneman and Amos Tversky
B) Adam Smith and David Ricardo
C) Milton Friedman and Anna Schwartz
D) Robert Shiller and Eugene Fama

2. Who co-authored the influential 2008 book 'Nudge: Improving Decisions About Health, Wealth, and Happiness' alongside Cass Sunstein?

A) Dan Ariely
B) Richard Thaler
C) George Akerlof
D) Vernon Smith

3. In which year was Richard Thaler awarded the Nobel Memorial Prize in Economic Sciences for his contributions to behavioural economics?

A) 2002
B) 2010
C) 2017
D) 2020

4. Which cognitive term, introduced by Herbert A. Simon in the 1950s, describes the idea that human decision-making is constrained by limited information, time, and cognitive capacity?

A) Bounded rationality
B) Hyperbolic discounting
C) Mental accounting
D) Loss aversion

5. What behavioural economics concept explains why individuals assign different subjective values to money based on its source or intended destination?

A) Hyperbolic discounting
B) Mental accounting
C) The decoy effect
D) Choice overload

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6. Which researchers formally introduced the concept of 'Status Quo Bias' in a 1988 paper in the Journal of Risk and Uncertainty?

A) William Samuelson and Richard Zeckhauser
B) Daniel Kahneman and Amos Tversky
C) George Loewenstein and Colin Camerer
D) Sheena Iyengar and Mark Lepper

7. Which psychological bias describes the tendency to value an owned object more highly than its actual market valuation?

A) Framing effect
B) Endowment effect
C) Confirmation bias
D) Bandwagon effect

8. According to empirical research by Kahneman and Tversky, losses typically exert a psychological impact approximately how many times stronger than equivalent gains?

A) 1.2 times
B) 2 times
C) 5 times
D) 10 times

9. Which country established the world's first formal government unit dedicated to applying behavioural insights (often called the 'Nudge Unit') in 2010?

A) United States
B) Australia
C) United Kingdom
D) Singapore

10. Which cognitive bias occurs when people rely excessively on the first piece of information encountered when making estimates or decisions?

A) Anchoring bias
B) Availability heuristic
C) Sunk cost fallacy
D) Representativeness heuristic

11. What phenomenon occurs when people change their choices based on whether options are presented as positive gains or negative losses?

A) Framing effect
B) Halo effect
C) Decoy effect
D) Overconfidence effect

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