Intro to Behavioural Economics

Behavioural Economics · Answer Key · 8 Questions

1. What is the term for when people place a higher value on an item simply because they own it?

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

2. Which concept describes the tendency for people to rely too heavily on the first piece of information offered when making a decision?

A) Confirmation Bias
B) Anchoring Bias
C) Loss Aversion
D) Framing Effect

3. What is the name for the idea that people feel the pain of losing something more strongly than the joy of gaining the same amount?

A) Hyperbolic Discounting
B) Reciprocity
C) Loss Aversion
D) Scarcity Bias

4. In behavioural economics, what are 'nudges' designed to do?

A) Force people to buy things
B) Punish poor financial choices
C) Alter people's behaviour in a predictable way
D) Remove all choices from a consumer

5. The 'Sunk Cost Fallacy' occurs when someone continues an activity because they have already done which of the following?

A) Invested time or money into it
B) Found a cheaper alternative
C) Asked a friend for advice
D) Made a future plan

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6. Which term describes the tendency to search for, interpret, and remember information that confirms one's existing beliefs?

A) Availability Heuristic
B) Confirmation Bias
C) Social Proof
D) Optimism Bias

7. What does 'Social Proof' suggest about human decision-making?

A) People prefer to make choices alone
B) People copy the actions of others to reflect correct behaviour
C) People always make the most logical choice
D) People value items based on their age

8. What is the 'Framing Effect' in the context of decision-making?

A) Changing the price of an item
B) Presenting the same information in different ways to influence a choice
C) Buying items only when they are on sale
D) Ignoring the quality of a product

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