**ADDITIONAL QUESTIONS FOR WEBSITE**

**Chapter 1**

1. Explain why the term ‘behavioral’ is not really appropriate in describing behavioral economics.
2. Explain what is meant by neuroeconomics and why it is relevant to behavioral economics.
3. Why do economists need to know about psychology?

**Chapter 2**

1. Explain why the criteria of congruence with reality and parsimony are important in evaluating theories, and why they may conflict.
2. Explain the advantages of the reductionist approach in economics.
3. How do empirical studies in economics tend to differ from empirical studies in psychology?

**Chapter 3**

1. Explain the evidence regarding people having stable, well-formed preferences. What are the implications if they do not have such preferences?
2. Are visceral factors irrational?
3. Why is choice not necessarily the same as revealed preference?

**Chapter 4**

1. Why do people have problems estimating probabilities correctly?
2. Explain the difference between self-evaluation bias and self-serving bias.
3. Explain what is meant by confirmation bias and why it is so common.

**Chapter 5**

1. Explain what is meant by the four-fold attitude to risk in prospect theory.
2. Explain what is meant by the disposition effect and how prospect theory can explain it.
3. Explain why salience is important in the context of the decision-weighting function.

**Chapter 6**

1. ‘Four Frebles for just $40 only until March 31.’ Explain three reasons why this offer may be attractive to consumers.
2. Explain what is meant by flat rate bias, and its policy implications.
3. Why are prior outcomes important in affecting stock market investment?

**Chapter 7**

1. Explain why different empirical studies produce very different results when it comes to estimating discount rates.
2. Explain the significance of the anomalies observed related to the DUM.
3. ‘The DUM is a great example of a theory exhibiting parsimony’. Discuss.

**Chapter 8**

1. ‘Hyperbolic discounting may make accurate predictions, but it lacks a psychological basis.’ Discuss.
2. Explain why the concepts of temptation and willpower are redundant in the DUM.
3. ‘Self-control is a meaningless concept; who is exerting the control?’ Discuss.

**Chapter 9**

1. Explain the general nature of cooperation and defection in game theory.
2. Explain why randomization can be an important strategy in certain types of game.
3. Empirical studies indicate that people do not perform all the iterations predicted by standard game theory. What are the implications of this?

**Chapter 10**

1. Explain how the concept of fairness affects outcomes in bargaining games, compared with the predictions of standard game theory.
2. If punishment is costly and there is no material gain from it, why would people be willing to punish defectors in a repeated game?
3. Explain why people may want to punish co-operators in a repeated game. What consequences may this cause for the players as a whole?