

Correct answers are marked in red colour.

In the study on patients undergoing colonoscopy cited by Daniel Kahneman, patient A evidently experienced much less pain throughout the procedure than patient B. However, patient A's account of the procedure indicated that he actually remembered the procedure as MORE painful than patient B did. What is Kahneman's explanation for this phenomenon?

- a) Although patient A experienced less pain altogether, the peak episodes of pain were of greater intensity than those in patient B, and it is these peaks which matter most when we evaluate painful experiences.
- b) Patient A and patient B differed in their subjective perception of pain – patient A was more sensitive to painful experiences.
- c) Despite suffering more pain, patient B, unlike patient A, remembered the colonoscopy as a story with positive unravelling because his pain had time to subside gradually after the most painful episode.
- d) Patient A remembered the colonoscopy as a worse experience because of other negative experiences that followed afterwards – these subsequent experiences distorted his memory of the procedure.

In Kahneman's view, why do our memories of a particular event differ from the actual experience of that event at the time when it happened?

- a) Because we only remember the turning points, such as changes or endings, and basically forget the rest, regardless of time.
- b) Because our memories tend to blend and merge together, so that our memories of event A tend to influence our memories of event B.
- c) Because the way we remember past events is influenced by emotions and perceptions we experience at the present moment.
- d) Because we are more likely to remember negative events than positive ones.

According to behavioural economics, why can it not be argued that people behave rationally?

- a) Because our behaviour, unlike rational behaviour, cannot be predicted very well.
- b) Because we often disregard the rational criteria of value and probability (expectancy) completely in our choices.

c) Because our choices, even when the alternatives remain unchanged, are unstable and vary depending on the context.

d) Because we often make choices which undermine and go against our wellbeing.

In the study by Johnson & Goldstein cited by Dan Ariely, people in Austria, Belgium or France were much more likely to register as potential organ donors than people in the Netherlands, Germany or the UK because...

a) ...it is considered more socially desirable in Austria, Belgium and France to become a potential organ donor than it is considered in the Netherlands, Germany or the UK.

b) ...the way the question was asked made people from Austria, Belgium and France more likely to respond positively.

c) ...the default options differed in the two cases.

d) ...authorities had campaigned fiercely for organ donation programmes in Austria, Belgium and France.

In Ariely's opinion, why do people often stay with the default option ('status quo') rather than considering an alternative option?

a) Because we are too lazy to make changes.

b) Because many of the decisions we have to make are trivial and unimportant and not worth considering.

c) Because we have no relevant criteria by which to decide, which makes decision making difficult.

d) Because we are often stressed out and intimidated by important and difficult decisions and try to avoid them.

By citing the study on the subscription offers for *The Economist*, Dan Ariely demonstrates...

a) ...how even the worst options can be chosen by certain people in specific contexts.

b) ...how the presence of a highly desirable option can influence our choice between other, less desirable options.

c) ...how even the best options can be discarded by certain people in specific contexts.

d) ...how the presence of a highly suboptimal option can influence our choice between other, more desirable options.

The studies on subscription options for *The Economist* and on face attractiveness evaluation cited by Ariely indicate that if we want people to choose alternative A over alternative B...

- a) ...we should add an extremely suboptimal (“defective”) alternative C.
- b) ...we should add a suboptimal (“defective”) alternative C similar to alternative A.
- c) ... we should add a suboptimal (“defective”) alternative C similar to alternative B.
- d) ...we should make alternative A as distinct from any suboptimal (“defective”) alternatives as possible.

The experiments by Hsee on the evaluation of second-hand dinnerware sets and dictionaries demonstrate that...

- a) ...people make rational evaluations especially when they are able to compare several alternatives.
- b) ...people might focus on very different information when evaluating alternatives simultaneously and separately.
- c) ...people typically prefer undamaged alternatives of lesser value to damaged alternatives of greater overall value.
- d) ...people’s evaluations are relatively stable across different situations.

A situation known as a ‘preference reversal’ occurs when...

- a) ...we switch our attention to different attributes in our evaluations.
- b) ...we learn new information about the alternatives.
- c) ...overall value of one or more of the alternatives changes.
- d) ...probability of obtaining one or more of the alternative changes.

People are averse to losses. This means that...

- a) ...they tend to avoid losses at all costs.

- b) ...they feel more upset about losses than they feel happy about gains.
- c) ...they tend to try harder to avoid losses than achieve gains of the same resulting value.
- d) ...they usually choose to avoid even a very small loss rather than go for a relatively large gain.

Kahneman & Tversky's example of choosing between 50% probability of achieving a 0 or 100% outcome and 100% probability of achieving a 50% outcome demonstrates that...

- a) ...Bernoulli's principle of risk aversion only seems to work in situations involving gains, not in situations involving losses.
- b) ... Bernoulli's principle of risk aversion does not work very well in real life situations.
- c) ... Bernoulli's principle of risk aversion only seems to work in situations involving losses, not in situations involving gains.
- d) ... Bernoulli's principle of risk aversion works relatively well in all situations.

The principal implication of Kahneman & Tversky's study in which participants chose between 50% probability of a 0 or 100% gain/loss and 100% probability of a 50% gain/loss is that...

- a) ...people tend to prefer high uncertain gains to small certain gains in gain situations while they are more likely to prefer smaller certain losses to uncertain bigger losses in loss situations.
- b) ...50% uncertainty can discourage people from going even for very high additional gains, but it will not discourage them from using the opportunity to potentially avoid even very small losses.
- c) ...people will rather choose a small gain than run a risk of suffering a huge loss.
- d) ...presenting (framing) the same outcomes as either gain situations or loss situations might affect people's choices greatly, especially if some of the options involve uncertainty.

In Hse's 'dinnerware evaluation experiment', participants who were asked to evaluate a large but incomplete dinnerware set simultaneously with another, smaller but intact set (comparison condition) offered very different sums of money for the set than participants who were asked to evaluate the large set on its own (separate condition). What exactly happened?

a) Participants offered much LESS money in the comparison condition than in the separate condition because the damage to the incomplete set was more ‘visible’ when they knew about the intact set.

b) Participants offered much MORE money in the comparison condition than in the separate condition because they saw the incomplete subsets of cups and saucers as “bonuses” (additional value) to what the smaller dinnerware set had to offer rather than as a defect.

c) Participants offered much MORE money in the comparison condition than in the separate condition because, although incomplete, the larger set was perceived as better quality than the smaller, intact set.

d) Participants offered much LESS money in the comparison condition than in the separate condition because they felt the larger set should not cost much more than the smaller intact set.