Behavioral Economics Tutorial 12

Some Past Exam Questions for Discussion

1 How do behavioral/evolutionary analyses of pricing differ from those normally offered in economics textbooks?

2. In his book *Misbehaving*, as he writes about the development of Prospect Theory, Richard Thaler claims that:

> 'Simon had coined the term "bounded rationality", but had not done much fleshing out of how boundedly rational people differ from fully rational ones. There were a few other precedents, but they too had never taken hold'.

Discuss the accuracy of Thaler's claim regarding Simon's contribution and critically assess Thaler's coverage of the 'precedents' to which he alludes.

3. Human decision makers have finite attentive capacities. They also have finite capacities to imagine how the future will unfold, yet their powers of imagination can also result in them giving attention to imagined events that never actually happen. What do these human shortcomings imply for theorizing about the choices that people make?

4. What lessons should BETA (Behavioural Economics Team Australia) draw from Richard Thaler’s account of his work with BIT, the Behavioural Interventions Team set up by the UK government?

5. What insights does behavioral economics have to offer for financial market regulators seeking to increase compe99on in the financial services sector, reduce the lenders’ exposures to defaults on loans, and help ensure that consumers have paid off their mortgages by the 9me they reach normal retirement age?

6. What insights does behavioral economics offer towards understanding the origins of the Global Financial Crisis?