Chapter 1: Judgment and Choice Biases I

Problems – Group A

Problem 1.1

A 65-year old relative of yours suffers from a serious disease. It makes her life miserable, but does not pose an immediate risk to her life. She can go through an operation that, if successful, will cure her. However, the operation is risky. 30% of the patients undergoing it die. Would you recommend that she undergoes it? _____

Problem 1.2

You are given $1,000 for sure. Which of the following two options would you prefer?

a. to get additional $500 for sure;

b. to get another $1,000 with probability 50%, and, with probability 50%, nothing (and be left with the first $1,000).

Problem 1.3

You go to a movie. It was supposed to be good, but it turns out to be boring. Would you leave in the middle and do something else instead?

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Problems – Group B

Problem 1.4

A 65-year old relative of yours suffers from a serious disease. It makes her life miserable, but does not pose an immediate risk to her life. She can go through an operation that, if successful, will cure her. However, the operation is risky. 70% of the patients undergoing it survive. Would you recommend that she undergoes it?

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Problem 1.5

You are given $2,000 for sure. Which of the following two options would you prefer?

a. to lose $500 for sure;

b. to lose $1,000 with probability 50%, and otherwise – to lose nothing.

Problem 1.6

Your friend had a ticket to a movie. She couldn't make it, and gave you the ticket "instead of just throwing it away". The movie was supposed to be good, but it turns out to be boring. Would you leave in the middle and do something else instead?

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Exercises – Chapter 1

1. Jim and Joe are students who live on small scholarships. They go to an all-you-can-eat restaurant and pay $8.95 for the meal. Joe is unexpectedly told that, being the 100th customer of the day, he gets his money back (and gets to eat at no charge). Other things being equal, do you think that Joe will consume the same amount of food as will Jim?

2. Magazines often offer their new customers subscription over an initial period at a very low cost. Provide at least two reasons for which this may be a smart way to attract customers.

3. In most countries, a driver who wishes to join an organ donation program has to make an explicit choice to do so. There is a proposal to make every driver an organ donor unless they opt out. Do you think that this proposal might have an effect on the number of organ donors? If so, which psychological effect might be responsible for this?