

STOCKHOLM UNIVERSITY  
Department of Economics

**Course name:** Economics of Psychology  
**Course code:** EC7205  
**Examiner:** Lennart Erixon  
**Number of credits:** 7,5 credits  
**Date of exam:** 18 February 2012  
**Examination time:** 3 hours

Write your identification number on each paper and cover sheet (the number stated in the upper right hand corner on your exam cover).

Do not write answers to more than one question in the same cover sheet. Explain notions/concepts and symbols. Only legible exams will be marked. No aids are allowed. You can answer either in English or in Swedish.

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The exam consists of 8 questions for each student, 50 points in total. For the grade E 20 points are required, for D 25 points, C 30 points, B 37 points and A 45 points.

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If you think that a question is vaguely formulated: specify the conditions used for solving it.

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Results will be posted on [mitt.su.se](http://mitt.su.se), by 9 March 2012 at the latest.

## **I. Short questions**

Answer 7 of 8 questions only. Approximately 1/2 page per answer (max 5 point per question).

- 1. What is meant by ambiguity aversion?**
- 2. There are two psychological perspectives on the Phillips curve in the course literature. Which are the two perspectives?**
- 3. In Rabin & Schrag (1999) two variables are central in the analysis of the relationship between a confirmatory bias and overconfidence. Which are the two variables?**
- 4. Di Tella et al. (2010) shed light a crucial difference between women and men in the importance of incomes and status for happiness. Describe the difference.**
- 5. What is the crucial difference between loss aversion (see the prospect theory) and risk aversion (see standard economic theory)?**
- 6. How will people change their risk taking when put under time pressure? What is the general conclusion in economic psychology? Give one example also of an exception to the rule.**
- 7. There are two different perspectives on anchoring effects in economic psychology. Which are the two perspectives?**
- 8. Which psychological bias is confirmed by the so-called James Dean (Heath Ledger) effect in economic psychology?**

## **II. Essay question**

Choose one of the questions only. Approximately 2-3 pages (max 15 points)

- 1. Discuss the importance of neuroscience for the analysis of human behaviour using Camerer, Loewenstein and Prelec (2005) as a starting point.**
- 2. A financial crisis can be explained by different psychological biases. Discuss possible psychological distortions underlying a financial crisis. Use the psychological concepts on the course and Shiller's article in particular as point of departures.**