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Lesson #7 Quiz

LATEST SUBMISSION GRADE

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1. Which of the following best describes the “invisible hand”?

1 / 1 point

- ☐ The free market, guided by self-interest, is mislead to inefficiently allocate resources.
- ☐ Subtle government economic interventions can lead to the inefficient allocation of resources.
- ☒ The free market, guided by self-interest, ensures the sufficient production of goods to meet society's demands.
- ☐ Subtle government economic interventions can ensure the sufficient production of goods to meet society's demands.

✓ Correct

2. What problems does prospect theory solve? (check all that apply)

1 / 1 point

- ☒ People can underestimate high probabilities and overestimate low probabilities

✓ Correct

The weighting function shows that there is a difference between the actual probability of an event and the subjective probability

- ☒ People do not treat gambles as equivalent to their expected utility

✓ Correct

For example, expected utility theory predicts that everyone should take a gamble with a 50% chance of winning \$200 and a 50% chance of losing \$100, but in practice many people do not take this gamble.

- ☒ People will make big gambles to avoid losses

✓ Correct

The value function indicates that once people have lost a lot of money, they will be more likely to make risky gambles with the purpose of coming back to their baseline.

- ☐ People will often make purchases impulsively

3. What is the wishful thinking bias?

1 / 1 point

- ☐ People do not consider the probability of the things they want most.
- ☐ People hope that their sports team or political candidate will win
- ☒ People over-estimate probabilities of things they would like to be true.
- ☐ People think that, if they hope for something strongly enough, it will be more likely to happen.

✓ Correct

For example, people over-estimate the probability that their favorite sports team or political candidate will win.

4. Ricardo thinks that, since society seems similar to what it was in the late 1920s, a second Great Depression is coming soon. To which cognitive bias is Ricardo falling victim?

1 / 1 point

- ☐ The framing effect
- ☐ Attention anomalies
- ☒ Representativeness heuristic
- ☐ The disjunction effect

✓ Correct

Even though the probability of another Great Depression is low, current conditions seem to fit this single example.

5. What is Newcomb's paradox?

1 / 1 point

- ☐ People will behave differently if playing games against a computer compared to playing them with a human opponent.
- ☐ People behave irrationally when faced with decisions which involve large sums of money.
- ☒ People sometimes change their behavior when they learn about a prediction which has been made about the future.
- ☐ People prefer a small chance at winning \$1 million than a high chance of winning \$1000.

✓ Correct

6. Which of the following is NOT a common trait of somebody with Antisocial Personality Disorder?

1 / 1 point

- ☒ Lack of desire to interact with others
- ☐ Lack of empathy
- ☐ Heightened self-esteem
- ☐ Manipulative

✓ Correct

Those with Antisocial Personality Disorder like to manipulate, not avoid, others.