

# Exam Behavioral Economics January 2021

1. What is behavioral economics?
2. The paper "The red and the black: Mental accounting of savings and debt" (Prelec, D., & Loewenstein, G. (1998)) demonstrated that there are situations in which paying is painful. Is this finding inconsistent with the "Opportunity cost neglect" (Frederick et al., 2009)? Please explain why (not). Propose an experimental design that would allow you to test your explanation empirically
3. Person X goes to the cinema, but on her way there she loses her movie ticket worth €10. The thought of buying a new movie ticket of €10 hurts her so much that she decides not to buy it. She realises that if she just had lost a €10 bill, she would have bought a ticket. Is person X behaving rationally?
4. In attachment you will find the following paper: "Heart Strings and Purse Strings: Carryover Effects of Emotions on Economic Decisions". Please study this paper thoroughly. Provide critical comments based on your knowledge of Behavioral Economics.