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Econ 812

HW #8 (answer question #1, plus any FOUR other questions)

1. Prove/show that the Allais paradox violates EU theory regardless of whether preferences are risk-averse, risk-neutral, or risk-preferring.
2. What is the most empirically important choice theory anomaly? What real-world puzzles would you use it to explain? (1 page)
3. What aspects of your behavior today were NOT compatible with narrow selfishness? Discuss specific behavioral choices motivated by altruism, fairness, and vindictiveness. (1 page)
4. Does prospect theory, in its simple or sophisticated forms, provide a better description of your own choice behavior than EU theory? (1 page)
5. Does your own behavior conform to basic neoclassical intertemporal choice theory? Upon reflection, are there any changes you would might to make to your consumption path and/or portfolio? (1 page)
6. Do you suffer from belief perseverance and/or confirmatory bias? Discuss specific examples. (1 page)
7. Do you suffer from availability and/or representativeness bias? Discuss specific examples. (1 page)
8. "Much of the empirical evidence of cognitive bias itself illustrates cognitive biases." Discuss. (1 page)
9. Why do people have systematically biased beliefs about economics? Can the existing literature on cognitive bias be used to explain Caplan's findings, or not? (1 page)