

School of Business and Law

E X A M

Course code:	ORG419
Course name:	Judgment and Decision Making
Date:	October 5th, 2015
Duration:	09.00-13.00 (4 hours)
Number of pages incl. front page:	2
Resources allowed:	Dictionary
Notes:	The exam consists of questions about four main topics, which will be weighted according to the percentages in parentheses. Make sure you allocate sufficient time to all the questions. You may answer in Norwegian or English or both.

1. Behavioral economics (30%)

- a) Explain what Daniel Kahneman means when he talks about «system 1» and «system 2». How does this relate to Thaler and Sunstein's concepts of «Econs» and «Humans».
- b) What do we mean by «nudging» and «choice architecture»? Provide an example of a nudge.
- c) What is meant by behavioral welfare economics? Give a short example of interventions that are thought to enhance welfare in society.

2. Judgment under uncertainty (20%)

- a) Explain how responses to the “Linda-problem” often illustrate the conjunction fallacy.
- b) What do we mean by “the gambler’s fallacy”? Which axiom is broken if someone has fallen prey to this fallacy?
- c) What do we mean by the “availability heuristic” and how may this heuristic influence probability judgments?

3) Choice under uncertainty and risk (30%)

- a) Explain the maximin, maximax and minimax-risk-criterion when making choices under uncertainty.
- b) How is the prospect theory different from expected-utility theory?
- c) How can we use the value function from prospect theory to explain loss aversion?

4) Fairness and justice (20%)

- a) Explain the differences between the dictator game and the ultimatum game. Give some examples of findings from experiments using these games and offer some possible explanations for them.
- b) Equity theory is relevant for studies of fairness and justice. Explain some of the main predictions of equity theory.

Good luck!