1.7 Behavioural Economics: Bounded Rationality and Biases in Decision Making: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Use full sentences for questions worth 4 marks or more. Time guidance: 10 minutes. No calculator is required.

1 Define 'present bias' in one sentence and give one short behavioural implication for saving behaviour.

(Total for Question 1 is 1 mark)

2 Define 'bounded self-control' in the context of individual economic behaviour and give one brief example showing present bias in a workplace or household saving decision.

(Total for Question 2 is 2 marks)

3 Define 'anchoring' bias in individual decision making and give a short example from a shopping or pricing context, naming the anchor and the affected judgement.

(Total for Question 3 is 2 marks)

4 State briefly what is meant by 'choice architecture' in the design of decisions and give one concise example of a design choice other than default options that might influence healthy eating choices in a school canteen.

(Total for Question 4 is 2 marks)

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Mark scheme · 1.7 Behavioural Economics: Bounded Rationality and Biases in Decision Making: 10-minute Pack

Question 1

present bias is the tendency to give stronger weight to immediate rewards than to future benefits, leading to procrastination or under-saving **B1**

Answer: Present bias is favouring immediate rewards over future benefits, causing people to procrastinate on saving and under-save for retirement.

Question 2

the tendency for individuals to prefer immediate gratification over long-term benefits because self-control is limited **B1**

example: someone who intends to save for retirement but instead spends a raise on a holiday, showing present bias **B1**

Answer: Bounded self-control is a limited ability to stick to long-term plans, for example a worker who puts off pension contributions to spend on immediate consumption.

Question 3

anchoring is the bias where initial information or a reference point disproportionately influences subsequent judgements **B1**

example: a retailer shows a 'was £200, now £120' price so customers view £120 as a good deal because £200 anchors their perception of value **B1**

Answer: Anchoring is reliance on an initial reference point, for example a 'was/now' price tag (anchor = £200) that makes the sale price (£120) look more attractive.

Question 4

choice architecture is the organisation of the context in which people make decisions, including how options are presented and ordered **B1**

example: placing fruit at eye level and sweets in less prominent positions to nudge pupils towards healthier options **B1**

Answer: Choice architecture is how decision contexts are organised; for example putting fruit at eye level in a canteen to encourage healthier choices.

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