Behavioral Economics

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Homework 3

Due Tuesday 14th February

Question 1 In the second lecture we discussed the following 3 violations of α: the 'choice diffi-
culty', 'too much choice' and 'compromise/asymmetric dominance effects'. Pick one of these,
and write down a model of behavior that explains this violation (your model can be informal
or formal - i.e. in words or maths). Demonstrate why your model would generate the observed
effect, and generate a testable prediction for your model (i.e. a set of observations that would
lead you to conclude that your model is false).