

Semester Course

1.2 Your Brain and Money

## *Student Activity Packet*

## UNIT: BEHAVIORAL ECONOMICS

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Name:

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| **Students will be able to:*** Experience cognitive biases through thought experiments
* Identify various cognitive biases
* Give examples of cognitive biases in their own lives
* Explain what cognitive bias is and how it can impact their decision making

**NOTE:** Vocabulary for this unit can be found in the [NGPF Personal Finance Dictionary](https://docs.google.com/document/d/1YH07bp18mb2fLOlJqvRMpiEAJ0oodsZRzEhEHPwjEDo/edit#heading=h.z6ne0og04bp5) |

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| **""** | INTRO |

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## **PROMPT:**

Use the space below to answer the prompt.

1. **Do you consider yourself a below average, average or above average friend compared to your classmates?**

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## **EXPERIMENT 1: What’s it Worth?** Is the value of an item the same for everyone? What would make you value an item more or less? After watching the video, answer the questions for Scenario 1. Then, read the two situations in scenario two and use them to answer the questions.

**Scenario 1:**

1. **Would you have sold your lottery ticket in this situation?**
2. **For the people in the video that would not sell their ticket, how much was the lottery ticket worth?**

**Scenario 2:**

Imagine the following scenarios:

* If you complete every homework assignment this semester, you will receive 20 points of extra credit.
* Your teacher gives you 20 points of extra credit. If you miss one homework assignment, you will lose the extra credit.
1. **What is the difference between these two scenarios?**
2. **Does “owning” the extra credit and losing it make you value it more or less?**

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| **""** | LEARN IT |

## **REFERENCE:** [**What is Cognitive Bias?**](https://docs.google.com/presentation/d/1UktJpnVsU647Pvqj9zz1LqPLchldtr4LID31jkIo39o/edit#slide=id.gaedc829171_88_0)

## **ARTICLE:** [**List of Cognitive Biases**](https://thedecisionlab.com/biases)Through the previous experiments, you learned about just a few cognitive biases that can come into play when we make decisions. But what exactly IS cognitive bias? Review this slide to find out. Then, briefly skim through the article to discover some of the most common biases that exist. Finally, answer the questions.

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1. **In your own words, explain what a cognitive bias is.**
2. **From the list, identify ONE cognitive bias that you’ve seen come up in your life. Explain.**
3. **What is one bias from the list that surprised you? Why?**

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## **VIDEO:** [**5 Ways People Are Dumb with Money**](https://www.youtube.com/embed/n1b7piSmmME)Now that you have a better understanding of what cognitive biases are, let’s explore how biases can impact our decisions specifically around money! Watch this video and then answer the questions.

1. **How do behavioral economists view people differently than traditional economists?**
2. **How might businesses use cognitive biases to their advantage?**

1. **How do you think being aware of the various biases we have can empower us to make better decisions around money?**

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| **""** | EXIT TICKET |

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Follow your teacher’s directions to complete the Exit Ticket.