

**Comment to exam in ECON4260, candidate 172504.**

Grade given: A

Comments are only provided for text-answers.

1b) Good answer.

1d) The candidate writes that expected utility theory (EUT) assumes extreme loss aversion, but the candidate perhaps means extreme risk aversion? The candidate explains the differences between EUT and prospect theory (PT) in a satisfactory way. The example given is ok. However, the candidate could have given a better explanation of how evaluating lotteries relative to the reference point in PT, doesn't give any implications for preferences for large lotteries in the same way as in EUT.

1e) Good answer. The answer could also mention that models are (and have to be) simplifications of reality, but the candidate does mention that EUT is simple to use. The answer could also include some common criticism of the weaknesses of prospect theory as a reason for why EUT is still so much used.

3a) Very good answer. Discusses reciprocity in relation to the model presented in class, and not reciprocity models in general, but nevertheless a good answer.

3b) Good answer.

3c) Good answer.

4a) Very good.

4b) Very good.

4c) Very good.