

Multiple choice

- 1) What is the name given to the tendency to be too sure that our judgments and decisions are accurate?
- Overprecision
 - Overestimation
 - Overplacement
 - Overjustification

Ans: a

Response: p. 15

- 2) What is the name given to the tendency to think we are better than we actually are?
- Overprecision
 - Overestimation
 - Overplacement
 - Overjustification

Ans: b

Response: p. 15

- 3) What is the name given to the tendency to falsely think we rank higher than others on certain dimensions?
- Overprecision
 - Overestimation
 - Overplacement
 - Overjustification

Ans: c

Response: p. 15

- 4) In what ways is it beneficial to outwardly express confidence?
- People feel better about themselves.
 - People perform better because they face a lot of pressure to justify their confident predictions.
 - People are more persuasive and capable of attaining status when they portray confidence.
 - The outward expression of confidence is not beneficial.

Ans: c

Response: p. 19-20

- 5) Which of the following is a common mistake made by investors?
- a. They don't invest enough money.
 - b. They trade too often.
 - c. They take on too much risk in their portfolios.
 - d. They don't correctly time the market.

Ans: c

Response: p. 21-22

- 6) When are we the most likely to overplace our performance relative to others?
- a. When we are in a good mood.
 - b. When we are trying to impress others.
 - c. When we are working on an easy task.
 - d. None of the above.

Ans: c

Response: p. 26-27

True / False

- 7) Overconfidence is so robust that research has failed to identify situations in which we are likely to be underconfident.

Ans: False

Response: p. 26

- 8) People tend to overestimate their control in situations where they have objectively little control.

Ans: True

Response: p. 23

9) There are advantages to having positive illusions.

Ans: True

Response: p. 28

Short answer

10) Why do we tend to overplace our ability relative to others on easy tasks?

Ans: While we tend to underestimate our performance, we tend to underestimate the performance of others to an even larger extent because we fail to adequately consider the skill of the competition.

Response: p. 27

11) What is the potential downside to portraying confidence to others?

Ans: If you are exposed as wrong despite being confident, you lose credibility and your reputation suffers.

Response: p. 20

12) What is the planning fallacy and when is it the most likely to occur?

Ans: The tendency to overestimate the speed at which we will complete projects and tasks. It is particularly likely to occur in the context of large, complex projects that are prone to complications.

Response: p. 23-24

13) Why do many argue that overplacement is more problematic than underplacement?

Ans: People tend to select careers and hobbies on the basis of the extent to which they think they are better than others. Because they so often fail to adequately account for the skills of

those who they are competing against, many people place themselves in situations where they have a low probability of success.

Response: p. 27

Essay

- 14) Why, according to research, do people tend to be overconfident in estimating outcomes? Suggest a mechanism for tackling overconfidence.

Ans: overconfidence occurs because we are more able to recall confirming than disconfirming evidence for the believed outcome. Our initial beliefs produce selective mental accessibility of information that is consistent with these beliefs.

One possible debiasing mechanism is forcing oneself to consider scenarios that include different outcomes than the believed one. Such forced consideration increases the salience and vividness of other possibilities in one's memory. Another one is simply artificially decrease one's estimations of the outcome's likelihood.

Response: p. 19-20.