**Chapter 7: Heuristics and Shortcuts: Efficiency in Inference and Decision Making**

1. Describe what is meant by “illusory correlations.” What are some of the influences that can increase or reduce this tendency? What are some of the consequences for social interactions?
2. List, describe, and provide an example for 2 heuristic strategies for making judgments under uncertainty (see pages 178 – 188)
3. Provide a definition of counterfactual reasoning and explain some of the reasons why people engage in this sort of simulations (See pages 184-186)
4. Provide examples for scenarios in which a person might a) use themselves as a reference point or anchor, and b) use others as a reference point or anchor. You may describe a problem requiring a decision and how anchoring on a particular reference point might be useful as a heuristic.
5. Draw a figure illustrating the subjective value function of prospect theory (see page 190).
6. How accurate are we at assessing covariation in the real world? Provide two examples of common beliefs that rely on the assessment of correlation of an outcome across time, persons, or entities. (See page 194)