

INDIVIDUAL RISK ATTITUDES: MEASUREMENT, DETERMINANTS, AND BEHAVIORAL CONSEQUENCES

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Abstract

This paper studies risk attitudes using a large representative survey and a complementary experiment conducted with a representative subject pool in subjects' homes. Using a question asking people about their willingness to take risks "in general", we find that gender, age, height, and parental background have an economically significant impact on willingness to take risks. The experiment confirms the behavioral validity of this measure, using paid lottery choices. Turning to other questions about risk attitudes in specific contexts, we find similar results on the determinants of risk attitudes, and also shed light on the deeper question of stability of risk attitudes across contexts. We conduct a horse race of the ability of different measures to explain risky behaviors such as holdings stocks, occupational choice, and smoking. The question about risk-taking in general generates the best all-around predictor of risky behavior. (JEL: D0, D81, C90, J10)