Abstract
We employ a novel data set to estimate a structural econometric model of the decisions under risk of players in a game show where lotteries present payoffs in excess of half a million dollars. Differently from previous studies in the literature, the decisions under risk of the players in presence of large payoffs allow to estimate the parameters of the curvature of the vN-M utility function not only locally but also globally. Our estimates of relative risk aversion indicate that a constant relative risk aversion parameter of about one captures the average of the sample population. In addition we find that individuals are practically risk neutral at small stakes and risk averse at large stakes, a necessary condition, according to Rabin (2000) calibration theorem, for expected utility to provide a unified account of individuals’ attitude towards risk. Finally, we show that for lotteries characterized by substantial stakes non-expected utility theories fit the data equally well as expected utility theory. (JEL: D81, C99)