RESEARCH SEMINAR

IÉSEG SCHOOL OF MANAGEMENT

EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

'WHAT ARE WE MEASURING WHEN WE MEASURE RISK ATTITUDES?'

BY PAOLO CROSETTO – INRAE

ABSTRACT

Increasing evidence points to the fact that the behavioral measures we use to elicit risk attitudes fail us. In recent years evidence has accumulated that our measures 1. correlate poorly with self-reported risk attitudes, real-world risk behaviors, and among themselves; 2. introduce distinct measurement errors and behavioral biases; 3. are not robust to sit-resit exercises.

Why do RETs show so little predictive validity? Despite the large number of studies comparing risk elicitation procedures, the extent to which current RETs are able to capture self-reported or out-of-the-lab behavior is still partly unknown. Since each study can cover only a limited subset of tasks and self-reported or real-world behaviors, the map of the cross-correlations across tasks and behavior is far from being complete.

Luckily, the data to create such a map already exists. Experimental economists have been routinely eliciting risk attitudes for over three decades. This paper reports results of a comprehensive meta-analysis of the external validity of RETs. The aim of the paper is to build and make available to everyone the largest existing open repository of risk elicitation data.

The ongoing effort, code and paper can be found at
https://github.com/paolocrosetto/METARET
and all data can be explored interactively at
https://paolocrosetto.shinyapps.io/METARET_APP

IRISK — IÉSEG RESEARCH CENTER ON RISK AND UNCERTAINTY — LEM LILLE ECONOMICS MANAGEMENT — CNRS — UNIVERSITÉ CATHOLIQUE DE LILLE 1875