

All Over the Map: Heterogeneity of Risk Preferences across Individuals, Contexts, and Countries*

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Abstract

We analyze the risk preferences of 2939 subjects across 30 countries on all continents. Using structural modeling, we explore heterogeneity in risk preferences across three dimensions: i) between individuals; ii) between decision contexts; and iii) between countries. Preferences in non-Western countries differ systematically from those found in Western countries, hitherto considered universal. Reference-dependence and likelihood-dependence are both found to play a role in describing preferences. While we confirm previous results on individual characteristics explaining little of overall preference heterogeneity, between countries a few macroeconomic indicators can explain a considerable part of the heterogeneity. The heterogeneity explained furthermore differs across contexts, being low for pure risk aversion measures, but higher for measures of noise and for rationality parameters.

Keywords: risk preferences; heterogeneity;

JEL-classification: C93; D03; D80; O12

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