



You are cordially invited to

UCLouvain Economics Seminar

On Thursday March 28, 2019, from 12:45 to 14:00
Doyen 22, Place des Doyens, 1

Ferdinand Vieider
(Gent University)

Will give a presentation on

Environmental Factors Shape Risk Preferences

Abstract: Risk preferences are a key determinant of individual decisions. Such preferences change over time and differ across individuals, but little is known on what shapes them. We present unique incentivized panel data from Ethiopia, and pair them with detailed rainfall data to address this question. We make three main contributions: 1) we present a model and derive predictions on how preferences change over time and differ across individuals; 2) we draw clear causal inferences on the effects of shocks; 3) we explain a large part of the cross-sectional variation in preferences. By showing how cross-sectional analysis may result in spurious inferences, our results organize the highly contradictory literature on shocks and preferences. By explaining over half the variance in idiosyncratic preferences, we challenge the stylized fact that individual heterogeneity in preferences cannot be explained. Overall, the results show the importance of environmental forces in shaping preferences.

Information: Gonzague.vannoorenberghe@uclouvain.be