Essays on the measurement sensitivity of risk aversion and causal effects in education

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Citation for published version (APA):
The economists’ traditional view of the expected utility model as describing decision under risk has long been challenged. The measurement of risk attitudes and the associations thereof with individual characteristics, however, have only recently been adapted to accommodate for the contemporary views on behavior. This thesis shows that the measurement of risk attitudes may be confounded with time preferences if individuals are credit constrained. What is actually impatience will be wrongfully attributed to risk aversion in that case. Likewise, if we view behavior through the lens of prospect theory, this thesis shows that individuals’ small stake risk aversion is mainly caused by loss aversion and that differences in risk-taking behavior by gender and schooling are wrongfully ascribed to marginal utility of wealth in the traditional model. The non-linear transformation of utilities also adds to this bias. In the final chapter a general risk attitude measure is constructed to real behavior; it is found that higher education students in the Netherlands who are more risk averse borrow less from the government to finance their studies. The study shows that informing students about loans is not an effective instrument to increase borrowing.

Adam Booij (1979) studied economics at the University of Amsterdam (UvA). In 2004 he completed the Tinbergen Master of Philosophy in Economics after which he started a PhD in behavioral economics at the UvA. Holding office close to applied micro econometricians he also got interested in the field of education economics, and in 2007 he obtained a Marie Curie scholarship to work on this topic at the Centre de Recherche en Économie et Statistique in Paris, where he stayed for 15 months. To finalize the dissertation he returned to the UvA where he still continues research on education issues at the Tinbergen Institute. His current research interests include both behavioral economics and applied microeconomics.