Abstract:

The study of individual behavior typically begins by assuming an individual preference relation over the objects of choice. However, actual observations often do not reveal an individual's entire preference relation, but only some portion of it. It is therefore natural and important to ask whether -- and in what circumstances -- it is possible to deduce the entirety of an individual preference relation from some portion of that preference relation. In this paper, we formulate and address this question in a particular context: we ask whether -- and in what circumstances -- it is possible to deduce an individual decision-maker's attitude toward risk in the domain of social choices (preferences over risky social choices) from knowledge of the decision maker's attitude toward risk in the domain of personal choices (preferences over risky personal choices) and the decision maker's preferences for primitive (non-risky) social and personal choices. We show that the analysis depends crucially on whether or not the decision maker is (assumed to be) an expected utility maximizer. Whether or not this is the case we provide necessary and sufficient conditions that the decision maker's risk attitude in the domain of social choices can be deduced from the decision maker's risk attitude in the domain of personal choices. Our theoretical results are clean but it is another question entirely whether they are also descriptive of reality. To address this latter question, we designed and executed an experiment in which subjects were confronted in turn with choices in three domains: risky personal choices, riskless social choices, and risky social choices.