

Experiments on Risk Attitude: The Case of Chinese Students

Shunichiro Sasaki ^a, Shiyu Xie ^b, Fumio Ohtake ^a,
Jie Qin ^c, Yoshiro Tsutsui ^{a*}

^a *Osaka University, Institute of Social and Economic Research, 6-1 Mihogaoka, Ibaraki,
Osaka 567-0047, Japan*

^b *Fudan University, Department of World Economics, 220 Handan Road,
Shanghai 200433, P. R. China*

^c *Ritsumeikan University, Faculty of Economics, 1-1-1 Noji-higashi, Kusatsu,
Shiga 525-8577, Japan*

Abstract

This paper examines Chinese students' risk attitudes using the selling and buying experiments with lotteries. We found that subjects were more risk averse in the buying experiment than in the selling experiment, suggesting the endowment effect. In the selling experiment, subjects were risk loving when there was a low win probability and risk averse with a high win probability, whereas they were risk averse in the buying experiment. Using the prize money won during the experiment as a measure of wealth, we found decreasing absolute risk aversion. Subjects' risk attitudes as revealed in the experiments explain their risky asset holding behavior.

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* Corresponding author: Phone: +81-6-6879-8560, Fax: +81-6-6878-2766
Email Addresses: ssasaki@iser.osaka-u.ac.jp (S. Sasaki), syxie@fudan.edu.cn (S. Xie),
ohtake@iser.osaka-u.ac.jp (F. Ohtake), jieqinjp@yahoo.co.jp (J. Qin),
tsutsui@econ.osaka-u.ac.jp (Y. Tsutsui)