



ALFRED-WEBER-INSTITUT FÜR WIRTSCHAFTSWISSENSCHAFTEN  
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### AWI This Week

#### **Monday, 16.1.12**

#### **Departmental Seminar**

17.15-18.45

Joshua C. Teitelbaum,  
Georgetown University Law Center, USA

AWI 00.010

"The Nature of Risk Preferences: Evidence from  
Insurance Choices"

#### **Tuesday, 17.1.12**

#### **Neunte Alfred-Weber-Lecture**

18.15

Prof. Dr. Dr. h. c. mult. Kurt Biedenkopf

Alte Aula am  
Universitätsplatz,  
Grabengasse 1

"Der Weg zum Euro –  
vertane Chance und Neubeginn?"

#### **Wednesday, 18.1.12**

#### **Departmental Workshop**

17.15-18.45

Alec Sproten, University of Heidelberg

AWI 00.010

"Should I gamble or not? On the relationship between  
decision-making under uncertainty, brain function,  
and age"

### Jour Fixe

The AWI JOUR FIXE takes place at the Lounge on a weekly basis on Mondays from 16:30 till 17:15 (i.e., just before the departmental seminar). There you will have the opportunity to meet the speaker, enjoy a coffee, and exchange news and discuss research with other members of the AWI.

### Departmental Seminar

Joshua C. Teitelbaum

"The Nature of Risk Preferences: Evidence from Insurance Choices"\*

We use data on insurance deductible choices to estimate a structural model of risky choice that permits "standard" risk aversion, loss aversion, and probability weighting. We show that loss aversion and probability weighting - though not separately identified without strong parametric assumptions - both imply a distortion of probabilities, and we demonstrate that such probability distortions are identified. We find that probability distortions - in the form of substantial overweighting of claim probabilities - play an important role in explaining the aversion to risk manifested in deductible choices. Once we allow for probability distortions, standard risk aversion is relatively small.

\*with Levon Barseghyan, Francesca Molinari, and Ted O'Donoghue

### Departmental Workshop

Alec Sproten

"Should I gamble or not? On the relationship between decision-making under uncertainty, brain function, and age"\*

With demographic change, understanding how older adults decide and why they make their specific decisions is of growing importance to our society. People live longer, work until a higher age, and thus make financial decisions until a higher age. In the present study, the authors explore the link between age, brain function and financial decision making under two types of uncertainty (risk and ambiguity). To this purpose, one group of young adults (<30 years) and one group of older adults (>58 years) played a card game investigating choice behavior in uncertain conditions, while being constantly scanned by a 3T fMRI-scanner. In the card game, subjects could decide whether to bet on either side of a binary gamble, or to take a sure amount of money. If subjects chose the binary gamble, probabilities of winning the game were known in the risky conditions, and unknown in the ambiguous conditions. Based on previous studies, the authors expect to find behavioral age differences as well as age differences in the activation of brain regions underlying these behaviors. The authors discuss their findings in the light of the currently increasing interest in age differences in decision making.

\* with Carsten Diener, Christian J. Fiebach, Christiane Schwierien and Gil Sharvit

## Talks and Research Visits

**Christine Binzel** is visiting the Center for International Development at Harvard Kennedy School in Cambridge, MA, USA, until the end of March 2012.

## New Publications

Patricia Funk und Christina Gathmann: *How Do Electoral Systems affect Fiscal Policy? Evidence from Cantonal Parliaments, 1890-2000*, Journal of the European Economic Association, forthcoming.

Seo-Young Cho and Krishna Chaitanya Vadlamannati: *Compliance with Anti-Trafficking Protocol - An Empirical Analysis* has been accepted for publication in European Journal of Political Economy, 2012.

## New and Leaving Staff

Ole Jürgens (Chair of Environmental Economics) has left the AWI at the end of 2011 to take up a position in private industry, specifically in the renewable energies sector.

**Editorial deadline for issue 3/2012 of the newsletter:**

**Wednesday, January 18, 2012, 12 o'clock**

**[newsletter@awi.uni-heidelberg.de](mailto:newsletter@awi.uni-heidelberg.de)**

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please contact the address above.