
Household risk versus individual risk: an experimental study

Astrid Hopfensitz*¹, Francois Cochard*², H el ene Couprie*³, and Jiakun Zheng*¹

¹Toulouse School of Economics (TSE) – Toulouse School of Economics – Manufacture de Tabacs, 21 all es de Brienne 31000 Toulouse, France

²Centre de REcherches sur les Strat egies Economiques (CRESE) – Universit e de Franche-Comt e – IUT 30 Avenue de l’observatoire 25009 Besan on Cedex, France

³Th eorie  conomique, mod elisation et applications (THEMA) – CNRS : UMR8184, Universit e de Cergy Pontoise – 33, boulevard du Port 95011 Cergy-Pontoise Cedex, France

Abstract

Many decisions taken by households involve risk and are taken jointly by multiple members of the family. There is increasing evidence that joint decisions can not be estimated as a convex combination of individual preferences. Moreover it seems that different members of the household have different weights on the overall outcome.

We experimentally study a joint decision task taken by 100 established couples (from Toulouse, France). In a first part couples had to chose between two options, that varied overall household risk while keeping individual risk and expected payouts constant. In a second part one of the two spouses (either the man or the woman) was ‘insured’ against risk in one of the two options. We investigate behavior in these two parts and relate it to socioeconomic variables and individual risk preferences.

We find that overall couples show a preference for the option that presents lower risk on the couple level (even if this implies accepting larger individual risk). Secondly we investigate the case where one partner is insured: couples where men are insured stay with similar preferences, which can be interpreted as women not being negatively affected by holding solely a risk. However couples where women are insured show a switch in preferences to an option that increases risk for the household. Thus men and/or couples seem to be averse to the idea of solely holding risk in the household.

Keywords: group decision, household, risk

*Speaker