FINLAB

LAB REPORT #1

*Due Tuesday, February 28, 2022, at beginning of your class.*

*Late submissions will* ***NOT*** *be accepted.*

For this lab report consider our laboratory experiment **Lottery Choice** you played on Thursday, Feb 24)**.** In the experiment you made 10 choices between two lotteries: option A, the safe lottery, option B, the riskier lottery. The 10 lotteries were the following:

|  |  |  |
| --- | --- | --- |
|  | **Option A** | **Option B** |
| Decision 1 | $2.00 if the die is 1  $1.60 if the die is 2 - 10 | $3.85 if the die is 1  $0.10 if the die is 2 - 10 |
| Decision 2 | $2.00 if the die is 1 - 2  $1.60 if the die is 3 - 10 | $3.85 if the die is 1 - 2  $0.10 if the die is 3 - 10 |
| Decision 3 | $2.00 if the die is 1 - 3  $1.60 if the die is 4 - 10 | $3.85 if the die is 1 - 3  $0.10 if the die is 4 - 10 |
| Decision 4 | $2.00 if the die is 1 - 4  $1.60 if the die is 5 - 10 | $3.85 if the die is 1 - 4  $0.10 if the die is 5 - 10 |
| Decision 5 | $2.00 if the die is 1 - 5  $1.60 if the die is 6 - 10 | $3.85 if the die is 1 - 5  $0.10 if the die is 6 - 10 |
| Decision 6 | $2.00 if the die is 1 - 6  $1.60 if the die is 7 - 10 | $3.85 if the die is 1 - 6  $0.10 if the die is 7 - 10 |
| Decision 7 | $2.00 if the die is 1 - 7  $1.60 if the die is 8 - 10 | $3.85 if the die is 1 - 7  $0.10 if the die is 8 - 10 |
| Decision 8 | $2.00 if the die is 1 - 8  $1.60 if the die is 9 - 10 | $3.85 if the die is 1 - 8  $0.10 if the die is 9 - 10 |
| Decision 9 | $2.00 if the die is 1 - 9  $1.60 if the die is 10 | $3.85 if the die is 1 - 9  $0.10 if the die is 10 |
| Decision 10 | $2.00 if the die is 1 - 10 | $3.85 if the die is 1 - 10 |

The experiment consisted of 4 rounds. In Round 1, you made 10 decisions as presented in the table above with hypothetical payment. In Round 2, you played again the 10 decisions but assuming that you were playing with real money. In Round 3, you made 10 choices assuming you were playing with real money and the payoffs were 20 times higher. In Round 4, you made 10 choices assuming you were playing with real money and the payoffs were 90 times higher.

1. Consider the data file**.** Fill the following table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Proportion of “Option A” (safe option)** | | | |
| **Round 1** | **Round 2** | **Round 3** | **Round 4** |
| Decision 1 |  |  |  |  |
| Decision 2 |  |  |  |  |
| Decision 3 |  |  |  |  |
| Decision 4 |  |  |  |  |
| Decision 5 |  |  |  |  |
| Decision 6 |  |  |  |  |
| Decision 7 |  |  |  |  |
| Decision 8 |  |  |  |  |
| Decision 9 |  |  |  |  |
| Decision 10 |  |  |  |  |

1. Consider round 2. Would you say that people are risk averse on average? Why?
2. Comment on tables’ results, i.e., explain the difference in proportions. In particular compare:
   1. The results of round 1 and round 2.
   2. The results of round 2, round 3, round 4.