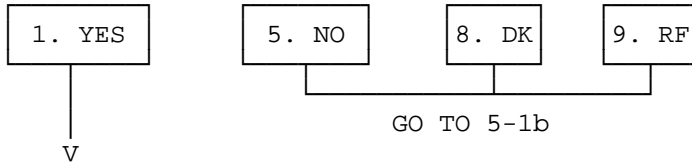
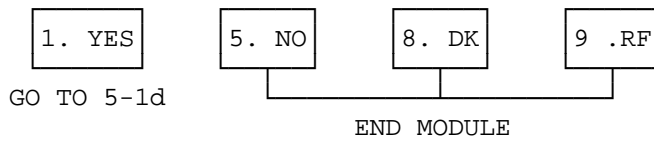


MODULE 5: RISK AVERSION

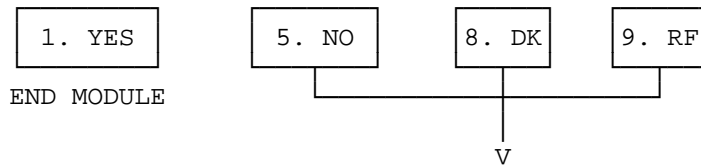
5-1. Now I have another kind of question. Suppose that you are the only income earner in the family, and you have a good job guaranteed to give you your current (family) income every year for life. You are given the opportunity to take a new and equally good job, with a 50-50 chance it will double your (family) income and a 50-50 chance that it will cut your (family) income by a third. Would you take the new job?



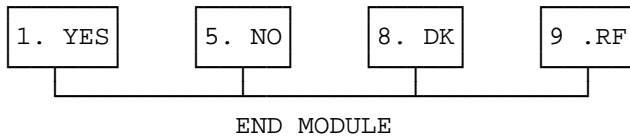
5-1a. Suppose the chances were 50-50 that it would double your (family) income, and 50-50 that it would cut it in half. Would you still take the new job?



5-1b. Suppose the chances were 50-50 that it would double your (family) income and 50-50 that it would cut it by 20 percent. Would you then take the new job?



5-1c. Suppose the chances were 50-50 that it would double your (family) income and 50-50 that it would cut it by 10 percent. Would you then take the new job?



5-1d. Suppose the chances were 50-50 that it would double your family income and 50-50 that it would cut it by 75 percent, would you still take the new job?

