



Decision-Making Under Risk & Uncertainty: How Bangladesh Can Inform Behavioral Economics About Risk.

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Ronald E. McNair
Postbaccalaureate
Achievement Program

Research Purpose:

The purpose of our study is to understand risk attitudes in rural Bangladesh. This study will implement a simple lottery choice game to understand how Bangladeshis afflicted with poverty, illiteracy, climate change, and other risks will make decisions.

Research Questions:

- 1) Will results differ from previous findings in developed nations?
- 2) How will variables such as poverty, illiteracy, savings, and land ownership influence risk attitudes?

Hypotheses:

- 1) High poverty rates in Bangladesh will cause subjects to be more risk-averse than risk-loving.
- 2) Results will differ from behavior in developed nations due to variables such as poverty.

Methodology:

Simple Lottery Choice (Filiz et al., 2020): Participants will be asked to make a choice between two decks of cards. Deck 1 will have a lower payoff but a higher chance of gaining some utility. This deck will be the “low-risk” deck. Deck 2 will have a higher payoff in utility but also a lower chance of scoring. This deck will be the “high-risk” deck.

Rationale:

- 1) The simplicity of the task.

Bangladesh

- 1) People in Bangladesh face a moderate to high level of risk.
- 2) Arsenic contaminated drinking water, drought and farming, and climate change.
- 3) Little research on risk has been implemented in the region.



Possible Findings

- 1) Our hypothesis will be confirmed. Variables like poverty will have a correlative relationship with risk attitudes. Furthermore, we will find subjects to be risk-averse.

Conclusions

In conclusion our study investigates risk attitudes in Bangladesh. Implementing the simple lottery game, we may possibly find high risk-aversion within our experimental group. Further, we may also find a strong relationship with variables such as poverty.

Future research can focus on specific communities in Bangladesh. For example, exploring risk attitudes in coastal regions and communities. These communities feel the direct effects of climate change through flooding and receding shoreline.

Acknowledgements

Dr. Mary Rigdon at the Center for the Philosophy of Freedom University of Arizona for the incredible guidance, feedback, and incredible discussion and experience!
Chase Agheli at Cornell for the editing, feedback, and incredible discussion!
The Ronald E. McNair Postbaccalaureate Achievement Program and Summer Research Intensive for the opportunity to research.