

fer. We then show how the theory of contract renegotiation can provide insights for organization theory. Specifically, we show how decentralization of decision making can be an optimal response to the threat of ex post renegotiation. Finally, we show that our framework can be used to analyse the trade-off between internal and external markets. *Canadian Journal of Economics*, May 1995, 28(2): 302–335. (Reprinted with permission of *Canadian Journal of Economics*.)



RISK PERCEPTION AND ECONOMIC BEHAVIOR

Testing Credit and Blame Attributions as Explanation for Choices under Ambiguity, by Kimberly A. Taylor (Florida International University)

People make decisions every day based on their estimates of the chances of various events occurring. By their very nature, these subjective estimates are less certain, and thus more ambiguous, than objective probabilities such as those associated with roulette wheels or lotteries. In two experimental studies, we investigate choices between bets on the decision maker's knowledge versus bets on a lottery with the same chance of winning. In Study 1, we partially replicate the Heath and Tversky (1991) finding that subjects have an increasing preference for betting on their own knowledge over the matched-chance lottery as probability increases. We also discover a significant minority of subjects who exhibit the opposite pattern and prefer the lottery as probability increases. In addition, we explicitly test the subjects' attributions about the credit they would feel for a win and the blame they would feel for a loss, and these attributions do provide some explanation for their choice behavior. In Study 2, we manipulate knowledge and accountability, in an attempt to heighten the attributions of credit and blame, and we replicate the findings. *Organizational Behavior and Human Decision Processes*, November 1995, 64(2): 128–137. (Reprinted with permission of *Organizational Behavior and Human Decision Processes*.)

Optimal Per Claim Deductibility in Insurance with the Possibility of Risky Investments, by Jostein Paulsen (University of Bergen, Norway)

In this paper we study the problem of optimal level of deductibility in an insurance contract when there is a deductible on each claim and the number of claims is Poisson distributed. Using new results in the theory of risk aversion and in actuarial risk theory, we prove that known results in the case when the deductible is on total claim amount carry over to this more "realistic" model. We also extend the model to allow for investment in a risky asset, analysing the interplay between buying insurance and investing risky. *Insurance: Mathematics and Economics*, October 1995, 17(2): 133–147. (Reprinted with permission of North-Holland Publishing Company.)

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