

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.)



INSURANCE PURCHASING DECISIONS

Insurance as a Product of National Values, by Geert Hofstede (University of Maastricht and Tilburg, The Netherlands)

Insurance is an immaterial product that is valued subjectively by its recipients. The way this is done depends on the values that dominate in a certain society, values that have come into being through the years. In this article the dominant values of the Netherlands and of a number of other relevant countries are compared and linked with national insurance systems. Three important values are solidarity, independence, and predictability. Because of the influence national values exert, there are limits to the extent to which insurance systems can be imported and exported. This obviously has consequences for the role of the European Union. *The Geneva Papers on Risk and Insurance: Issues and Practices*, October 1995, 20(77): 423–429. (Reprinted with permission of *The Geneva Papers on Risk and Insurance*.)



UTILITY THEORY

Tests of Hypotheses about Certainty Equivalents and Joint Receipt of Gambles, by Younghee Cho and R. Duncan Luce (University of California, Irvine)

The present experiment was designed to test whether choice-induced certainty equivalents (CEs) and joint receipt (JR) of gambles exhibit certain properties such as the equality of JR and convolution, monotonicity of JR over gambles, additivity of JR over gambles and money, segregation of a common consequence, additive segregation when JR is replaced by +, and several other derivative properties. Subjects were partitioned into “gamblers” and “nongamblers” by their performance on screening gambles. Assuming that CE is order preserving, monotonicity of JR and additivity of JR over gambles were both rejected, whereas additivity of JR over money, segregation, and additive segregation were all sustained for gamblers and nongamblers. For gamblers, convolution is not monotonic but is equivalent to JR, and segregation and additive segregation are not equivalent. For nongamblers, convolution is monotonic but is not equivalent to JR, and segregation and additive segregation are probably equivalent.

Risk Attitudes and Decision Weights, by Amos Tversky (Stanford University) and Peter Wakker (University of Leiden, The Netherlands)

To accommodate the observed pattern of risk aversion and risk seeking, as well as common violations of expected utility (e.g., the certainty effect), we introduce and characterize a weighting function according to which event has greater impact when it turns impossibility into possibility, or possibility into certainty, than when it merely makes a possibility more or less likely. We show how to compare such weighting functions (of different individuals) with respect to the degree of departure from expected utility, and we present a method for comparing an individual's

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