

Social responsibility promotes conservative risk behavior

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Individuals make more conservative choices when the decisions they make affect other people, according to a new study from The University of Texas at Dallas.

Dr. Gary Bolton, a professor of managerial economics and the O.P. Jindal Chair in the Naveen Jindal School of Management, is the lead author of the study, which was recently published in the *European Economic Review*. Bolton said he and his co-authors wanted to explore the effects [social preferences](#) have in risk-taking.

"Suppose that the chances I'm going to take influence not only what will happen to me, but what will happen to you," Bolton said. "Does that change my risk-taking behavior? This is important because a lot of risk decisions are taken in groups—in terms of business, government or family. You're not just deciding for yourself, but you're deciding for others as well."

The study found that social responsibility leads to more conservative risk behavior in group decision-making.

"I could lose some money, but you could lose some money, too," Bolton said. "If it were just me, I'd take my chances. But since other people are involved as well, I become more conservative."

Researchers conducted the experiments in a laboratory setting, where they could study the subjects' behavior under controlled conditions.

Sessions ran from April 2011 to January 2012 in the Cologne Laboratory for Economic Research at the University of Cologne in Germany.

The researchers compared risk-taking through simple games in which the players must choose between two options that lead to different payoffs. Some sets of questions determined the subject's own payoff, while others determined the payoff for the subject and another player.

The 64 subjects—Cologne students—participated in five experiments that each ran about 45 minutes.

The researchers found that social preferences for a balanced payoff played a role in risk-taking. The subjects made safer decisions when the risk was extended to another subject.

According to the study, [social responsibility](#) explains the more conservative [social decisions](#). One potential motive is a desire to be seen as a cautious social decision-maker "because that's good for their reputation," Bolton said.

The study also found that conformism, or changing one's behavior to match the responses of others, also had an effect. Observing the choice of another leads both individual and social decisions toward whatever the other person's expressed risk preference is.

"I think there's a general sense that in committees, whether it's in business, or at a university, or in governance, that decision-makers tend to be quite conservative, and oftentimes, the decisions they're making have a risk element to it," Bolton said. "If they're putting a new policy in place, they don't know exactly how it's going to come out."

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