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Attitudes to Economic Risk Taking, Sensation Seeking and Values of Business Students Specializing in Finance

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Abstract

Financial decision making rarely follows models derived from economic theory, which postulate that people are rational economic actors. Psychological alternatives abound. The Tversky-Kahneman heuristics approach is dominating, but it needs to be complemented with emotional and personality factors, since cognitive limitations do not provide exhaustive explanations of the psychology of decision making. In this paper, attitudes to financial risk taking and gambling are related to sensation seeking, emotional intelligence, the perceived importance of money (money concern), and overarching values in groups of students of financial economics (N = 93). Comparative data were collected for a group of nonstudents. Data on values were also available from a random sample of the population. It was found that the students of finance had a positive attitude to economic risk taking and gambling behavior, a high level of

sensation seeking, a low level of money concern, and gave low priority to altruistic values about peace and the environment. The subgroup of participants planning a career in finance showed an even more pronounced interest in gambling.

Keywords:

Decision making | Finance | Risk attitude | Financial advice

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Notes

∗Note. Effects sizes in standardized units according to Cohen's standard (Cohen [1988]): 0.2–0.3 “small”, 0.4–0.6 “medium” and 0.7+ ‘large’.

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1. There are obvious political reasons that may explain this tendency. However, a more interesting explanation relates it to perceived control. It is a common tendency to underestimate a risk if we believe, rightly or wrongly, that we are in control of the events (Harris [1996]).

2. Retrieved September 22, 2006, from http://www.konj.se/download/18.514cc05910c58eb13ad800027494/PressHIP060830.pdf.

3. Four respondents did not state gender.

4. Available in the Appendix.

5. Available in the Appendix.

6. However, there was a consistent trend in the sense that students had higher average values of sensation seeking than nonstudents.

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