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## ***SEMINAR***

# **"A Quantitative Measurement of Regret Theory"**

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**Wednesday, 25th March 2009 - h. 17.00**  
**Room N13 - Piazza Sraffa 13 - 20136 Milano**

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### **Abstract:**

This paper introduces a choice-based method that for the first time makes it possible to quantitatively measure regret theory, one of the most popular models of decision under uncertainty. Our measurement requires no assumptions about the shape of the functions reflecting utility and regret and can be performed at the individual level, taking account of preference heterogeneity. Our data show that risk aversion is primarily determined by regret, utility was close to linear. There was clear evidence of regret aversion even though we corrected for event-splitting effects. The degree of regret aversion and, hence, the vulnerability to arbitrage, varied strongly across subjects. For a sizeable fraction of subjects regret only occurred after some threshold. Consequently, previous studies may have underestimated the degree of intransitivity in preferences. Finally, the tradeoff method, which we used to measure utility, gave robust results: its measurements can be replicated using different stimuli and it was not susceptible to strategic responding.