

## Does Happiness Affect Individuals? Priors and Attitudes towards Ambiguity?

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### Abstract

This study focuses on the relationship between subjects' Priors and attitudes towards risk/ambiguity. I create ambiguous situations through a clear procedure that elicits pessimistic/optimistic feelings when subjects make a decision. First, the subjects are asked to select balls of the same color from blue and yellow balls; second, the subjects are grouped and an ambiguous box to bet is made from one of the respective group member's answer, which is used to bet by a given subject. Then, to investigate the certainty equivalent (CE), the subjects are asked to draw a ball and to bet, upon which they would receive a sure but varying income. Five different ambiguous boxes are made and the CEs for all boxes are measured in a similar manner as the first box I measure the CE for risky lottery with a half probability of winning for comparison. In addition, I investigate whether happy feelings affect the priors of distribution of blue and yellow balls by using a survey. I found that the CE's ratios of risky/ambiguous boxes are significantly explained by the happiness index regarding money: the subjects who answer that they are satisfied with their monetary situation bet more risky/ambiguous lottery. In addition, the priors are not explained by happiness regarding money but happiness in relationships with family. Further, the difference between priors and the subjects' Actual answers are explained by happiness in familial relationships.

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