



Michael Borß

Third-Order Risk Preferences and Cumulative Prospect Theory

An Experimental Study

Reihe „**KATALLAKTIK – Quantitative Modellierung menschlicher Interaktionen auf Märkten**“, Band 9

Herausgegeben von Prof. Dr. Otto Loistl, Wien, und Prof. Dr. Markus Rudolf, Vallendar

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There is broad theoretical and empirical evidence that investors exhibit a preference for skewness. However, there is little research regarding the extent to which individuals really favor positive skewness in individual decision making. In this dissertation, a controlled laboratory experiment is used to test for skewness preferences and prudence – a broader third-order risk preference that is closely linked to skewness preferences.

Skewness and prudence preferences are further analyzed both within an Expected Utility Theory framework as well as with Cumulative Prospect Theory. For this, a sound experimental setup is used that also excludes any potentially distortionary effects from loss aversion. This dissertation therefore contributes to better understanding of individual risk preferences and other impact factors, such as a more “rational” vs. a more “intuitive” decision making process in individual decision making.

**With a Preface by Prof. Dr. Markus Rudolf,
Dean, WHU – Otto Beisheim School of Management, Vallendar**

Michael Borß studied Business Administration at the University of Münster, Germany, as well as in Strasbourg, France, and Illinois in the United States. Having successfully finished his studies as a Diplom-Kaufmann in 2005, he joined The Boston Consulting Group as a consultant and mainly worked on strategy development and implementation in the Financial Institutions practice area as well as in Corporate Development. During an educational leave of absence the author started his dissertation under the supervision of Professor Dr. Markus Rudolf and worked as a research assistant at the Center of Private Banking of the Endowed Chair of Finance of the WHU – Otto Beisheim School of Management 2009–2011. The author continued to work for The Boston Consulting Group in Cologne and Hamburg and then joined Home24 in Berlin where he is currently responsible for Group Controlling.

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