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Responses to Risk: A Study of Estonians, Latvians and Lithuanians

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Abstract

People have to take decisions regarding accepting or avoiding risk all the time, even if often unconsciously. Risk is an important decision factor in various aspects of life. The purpose of our paper is to examine how people in Estonia, Latvia and Lithuania respond to risk. We run monetary lotteries to determine risk-related preferences. Our results show that there is no statistical difference between the valuation of self-protection and that of self-insurance. Furthermore, we find that individuals value private risk reduction opportunities higher than collective ones. In addition, we rejected the hypothesis that there are no statistical differences between Estonians, Latvians and Lithuanians. Finally, we find the value of statistical life in the Baltic region to be about 1.45 million LVL.