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“Risk Preferences Predict Cognitive Skills and Executive Functions in Children and Adolescents”

Abstract

Using a new and simple risk preference elicitation task, we conduct experiments with over 1,400 children and adolescents ages 3-15 years old. We complement our data with an assessment of cognitive and executive function skills. First, we find that adolescent girls display significantly greater risk aversion than adolescent boys. This pattern is not observed among young children, suggesting that the gender gap in risk preferences emerges in early adolescence. Second, we find that at all ages in our study, cognitive skills (specifically math ability) are positively associated with risk taking, while executive functions tend to be negatively associated with risk taking. Third, we find that greater risk-tolerance is associated with higher likelihood of disciplinary referrals, which provides evidence that our task is equipped to measure a relevant behavioral outcome. For academics, our research provides a deeper understanding of the developmental origins of risk preferences and highlights the important role of cognitive and executive function skills to better understand the association between risk preferences and cognitive abilities over the studied age range.