

Title: Identifying Risk Attitude with Moment–Restricted Lotteries

Abstract: We analyze the identification of risk preferences when the available lotteries adhere to a general moment condition. The Bernoulli utility index is shown to be identified only up to a positive affine transformation and an additive multiple of the moment function. For some moments, a risk–averse decision maker may make the same choices as a risk–loving one. As an application, we examine the canonical insurance problem where a contract is a pair of premium and deductible. Under a mild condition, a menu of such contracts inherently satisfies a generalized moment condition. Consequently, insurance choices are intrinsically prone to misidentification when relying on parametric utility specifications. A seizable and influential literature suffering from the aforementioned identification problem is reviewed.