

# Payoff Scale Effects and Risk Preference Under Real and Hypothetical Conditions

Charles A. Holt and Susan K. Laury

Prepared for the Handbook of Experimental Economics Results  
February 2002

Economists are primarily concerned with decisions that involve monetary consequences, and therefore, laboratory economics experiments almost always involve using financial incentives. The importance of not relying on hypothetical payments was established by a psychologist, Sidney Siegel. For example, Siegel and Goldstein (1959)