Alternation Bias and Sums of Identically Distributed Monetary Lotteries

José Robles-Zurita

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Highlights

- The effect of the alternation bias on decisions over repeated lotteries is studied
- A new explanation for Samuelson's "fallacy of large numbers" is provided
- The alternation bias effect interacts with intrinsic risk preferences
- If subjects are risk averse, we find an increase in willingness to risk
- If subjects are risk prone, we find a decrease in willingness to risk