

Key Points from the Research

A small scale survey of 30 people and two large scale surveys (234 and 280 interviews) in 2005 and 2006 were carried out:

- People's judgements about the likelihood of adverse events occurring departs significantly and systematically from the rational model that is central to economics.
- People find it difficult to assess the likelihood of different events happening. This applies even to those with high levels of education.
- The way in which risks are presented makes a substantial difference to how people assess risks. This is more marked for events in one's personal life than for public events.
- People are poorly informed about the incidence of events, even those about which they are concerned such as burglaries on road accidents. However the provision of information on the actual rates of such events locally makes little difference to their responses.
- The impact of the time period in which the likelihood of an event occurring (for example, 12 months against 3 years) makes much less difference than expected to people's estimate of the likelihood of its happening.

Further research continues.

Lyons B & **Mehta, Judith** (1997): Private Sector Business contracts: The Text Between the Lines, in Deacon S & Michie J (eds), Contracts, Competition and Cooperation, Oxford University Press.

Lyons B & **Mehta, Judith** (1997): Contracts, Opportunism, and Trust. Cambridge Journal of Economics Vol 2.

Graham Loomes and Judith Mehta (2007): The Sensitivity of Subjective Probability to Time and Elicitation Method, Journal of Risk and Uncertainty, 3, 4, 201-16.