

ACADEMIC WEEKLY DIGEST

YOUR WEEKLY DIGEST OF KEY RESEARCH FINDINGS



WOULD MAJOR LIFE EVENTS CHANGE INDIVIDUALS' RISK PREFERENCES?

Traveling involves various dynamic risks and uncertainties. Would tourists' risk preferences change over time and in response to major life events during a crisis?

Utilising a difference-in-differences analysis with multiple periods, this longitudinal study done by Vladimír Baláž, Jason Chen, Allan Williams & Gang Li examines the stability of risk tolerance and perceived competence to manage risk during the COVID-19 pandemic.



STABILITY OF RISK AND UNCERTAINTY PREFERENCES IN TOURISM

Jason Chen, Allan Williams & Gang Li

This study provides a novel longitudinal analysis of the stability of risk preferences in the travel domain, and how these are impacted by major life events during a crisis. It examines risk tolerance in three levels: general, tourism-domain, and situational (COVID-19). It also measures perceived competence to manage these risks, and intolerance of uncertainty and ambiguity. The study collected a longitudinal dataset from the same individuals in five countries over four survey waves over a period of 16 months during the COVID-19 pandemic. The descriptive statistics and correlations demonstrate strong inter-temporal stability of most risk preferences. It also reveals greater stability of generic risk traits and risk and uncertainty tolerance in travel compared to situational risk preferences.

An innovative difference-in-differences with multiple time periods method is utilised in a within-subject analysis to examine the oscillating risk preferences of individuals who were hit hard financially by the pandemic.

The results suggest that the COVID-19 situational risk preferences (tolerance and competence) become significantly higher when individuals were exposed to the event for sufficiently long, as they learned coping strategies amidst negotiable consequences.

Overall, risk preferences demonstrate complex dynamics in response to external shocks but exhibit remarkable stability throughout the crisis.

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Baláž, V., Chen, J. L., Williams, A. M., & Li, G. (2024). Stability of risk and uncertainty preferences in tourism. *Annals of Tourism Research*.

Link: bit.ly/3UABE2P