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**DOES HAPPINESS AFFECT ATTITUDE TOWARDS AMBIGUITY? : AN
EXPERIMENTAL APPROACH TO DISTINGUISH BETWEEN
SUBJECTIVE PRIOR AND ACT UNDER AMBIGUITY**

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Abstract

In the choice experiments under ambiguous information, there is no consensus about how to create ambiguous information. This paper shows that the way ambiguous information is given to subjects affects the decision making of them. In order to measure the degree of pessimism or optimism about ungiven probabilities, I create randomness with subject interactions through transparent procedure. By using this methodology, I found that individuals who held pessimistic prior invest less into ambiguous securities. In addition, I found that the happiness of an individual affects their decision making of investment into ambiguous securities.

Key words : Ambiguity aversion, SEU, MEU, α -MEU, Experimental economics

JEL Classification : D89, C91, G02

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