**Loss Aversion**

1. (Loss frame version) Imagine that the U.S. is preparing for the outbreak of an unusual Asian disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimate of the consequence of the programs is as follows:

* If Program A is adopted, 200 people will be saved.
* If Program B is adopted, there is a 1/ 3 probability that 600 people will be saved, and a 2/ 3 probability that no people will be saved.

Which of the two programs would you favour?

Programme A

Programme B

1. (Gain frame version) Imagine that the U.S. is preparing for the outbreak of an unusual Asian disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimate of the consequence of the programs is as follows:

* If Program A is adopted, 400 people will die.
* If Program B is adopted, there is a 1/ 3 probability that nobody will die and a 2/ 3 probability that 600 people will die.

Which of these two programmes would you favour?

Programme A

Programme B

1. (Loss frame version) Imagine you are the CEO of British Airway (BA). A customer was seriously injured during his BA flight from London to Beijing. The customer is suing BA, and the estimated compensation is three million pounds. The lawyers proposed two plans. Assume that the exact scientific estimate of the consequence of the plans is as follows:

* If Plan A is adopted, the customer will agree to settle the case out of the court and BA will lose two million pounds.
* If Plan B is adopted, there is a 1/ 3 probability that the customer will lose the case and BA lose nothing and a 2/ 3 probability that BA will lose the case and lose three million pounds.

Which of these two plans would you favour?

Plan A

Plan B

1. (Gain frame version) Imagine you are the CEO of British Airways (BA), and you have a business opportunity that could result in a significant gain for the company. The opportunity is related to expanding BA's operations to a new international route.

* In Plan A, BA will invest £2 million to establish the new route. Market analysis suggests there is a 100% chance that the route will be successful, and BA will generate an estimated gain of £3 million in profits.
* In Plan B, BA will invest £1 million to establish the new route. However, the market analysis indicates that there is a 1/3 chance that the route will fail, resulting in no gain. There is also a 2/3 chance that the route will be successful, and BA will generate an estimated gain of £4 million in profits.

Which of these two plans would you favour?

Plan A

Plan B

**Prediction:**

1. In the gain frame versions, more respondents will choose the sure gain option (i.e., option 1).
2. In the loss frame versions, more respondents will choose the risky option (i.e., option 2).
3. The pattern is stronger in the loss frame version.
4. The pattern is stronger in the first question, which has been tested extensively. The gain and loss frames are ambiguous in the second version. Hence the effect is weaker, if any.