

Risk attitudes and migration: evidence from China

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Abstract

We study the risk attitudes of various types of individuals and their family members across China's urban and rural labour markets to test the hypothesis that migration is more likely for those with a higher willingness to take risks. This question underpins theoretical arguments about the determinants of geographic mobility, and its role in improving the efficiency of labour markets, and the location of economic activity. It also begs for direct evidence that has yet to be provided in the case of an economy in transition. This paper contributes to fill this gap thanks to a detailed survey of Chinese households. Using 2008 and 2009 RUMiC data pooling urban, rural and migrant samples, we find consistent evidence that migrants and their family members have a substantially higher risk appetite than both urban and rural stayers. The results support that differences in risk attitudes contribute to explain geographic patterns of labour mobility and economic development.

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