The Role of Intuition and Reasoning in Driving Aversion to Risk, 
Aversion to Ambiguity and Regret

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Abstract

Risk aversion, aversion to ambiguity, and regret in explaining behavior are largely regarded as unrelated 
traits and meant to capture features of individual preferences towards different dimensions of the 
uncertainty that people face. Using information on a large sample of individual investors, we find that 
these attitudes tend to be correlated: individuals who dislike risk also dislike ambiguity and are more 
prone to regret. We argue that what links these traits is the way people handle decisions, whether they rely 
mostly on intuition or reasoning. Intuitive thinkers are less risk averse, less worried by ambiguity and less 
regretful about loss than people whose decisions are based on effortful reasoning. But we also find that 
individual characteristics, such as gender, age, education and, most importantly, wealth, influence each of 
these attitudes. While the wealthy are less risk averse, they have a greater dislike for ambiguity. This 
interpretation is corroborated with preliminary results from a laboratory experiment in which aversion to 
risk and ambiguity were elicited in an incentive-compatible manner and participants’ decision styles 
(intuitive vs. deliberative) were self-reported.

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