

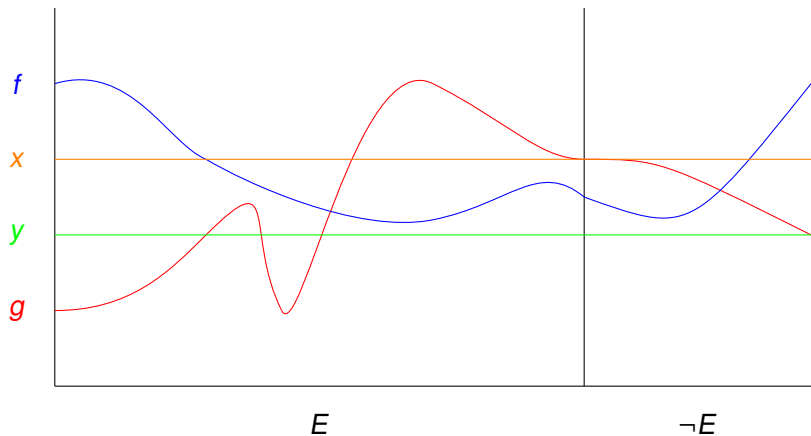
Risk

Rachael Briggs

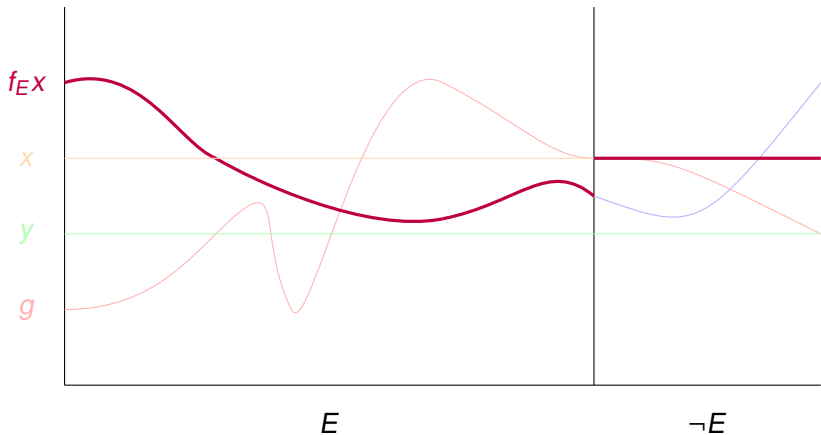
The Australian National University
Griffith University

August 1, 2014

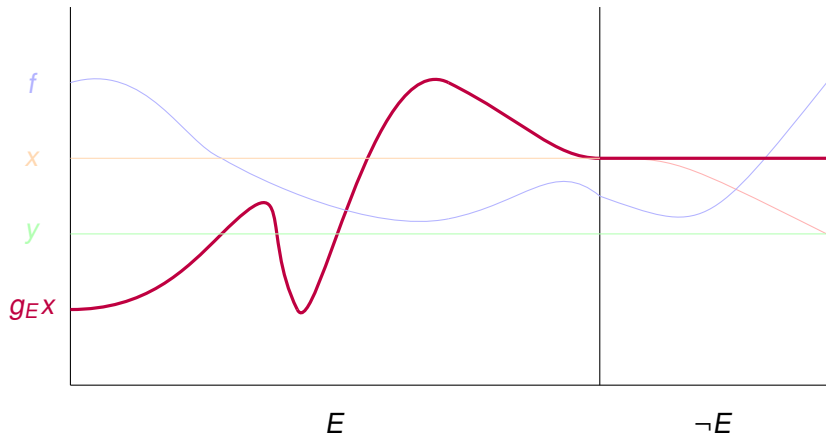
The Sure-Thing Principle (reminder)



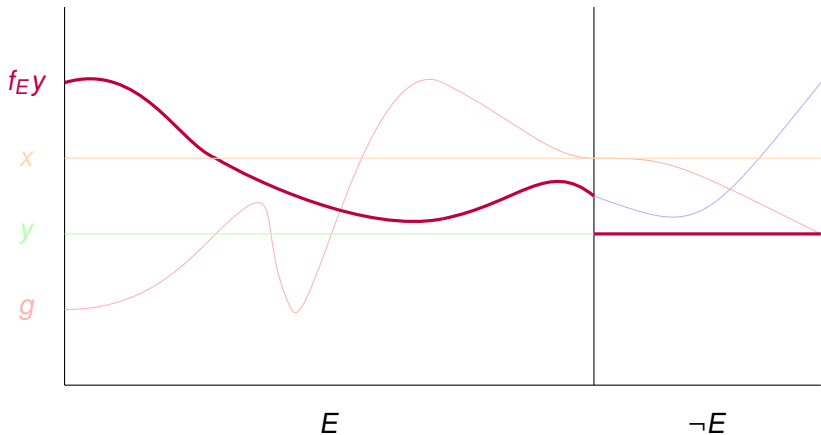
The Sure-Thing Principle



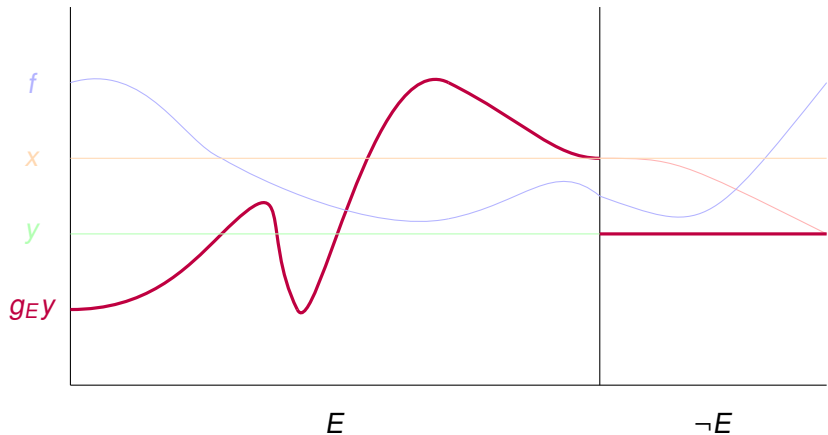
The Sure-Thing Principle



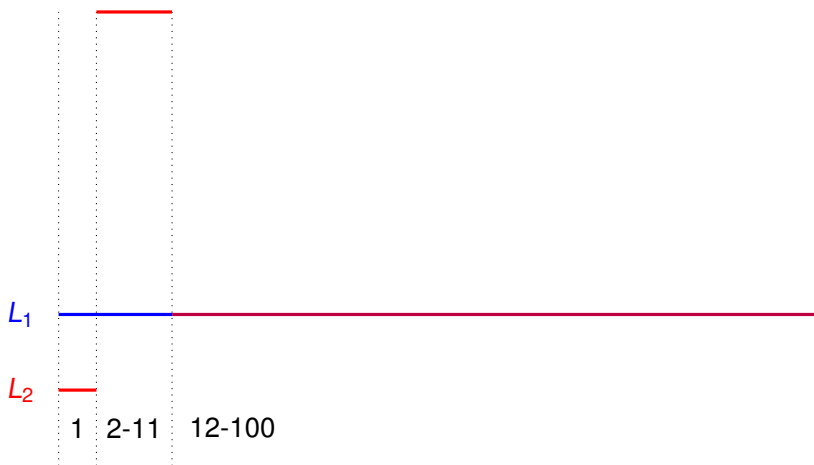
The Sure-Thing Principle



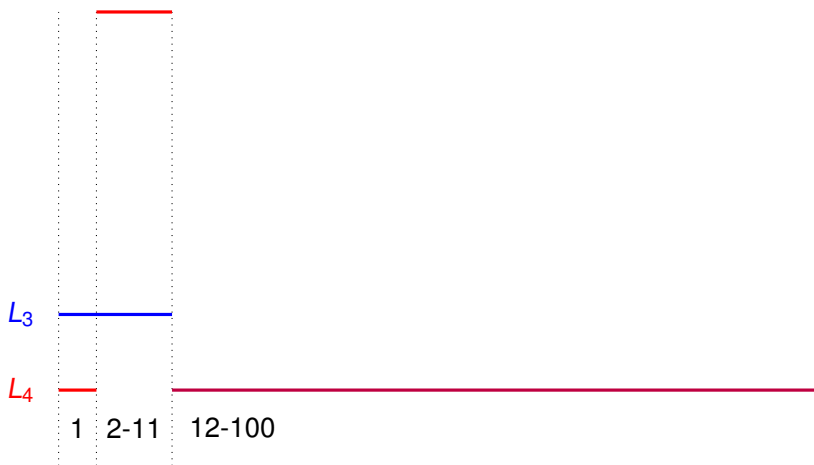
The Sure-Thing Principle



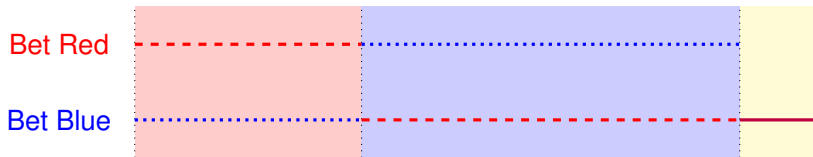
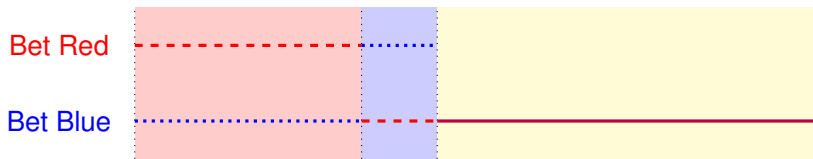
Allais Paradox



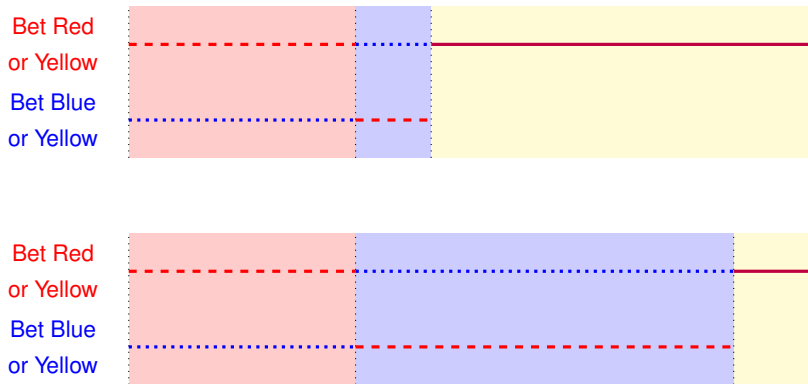
Allais Paradox



The Ellsberg Paradox

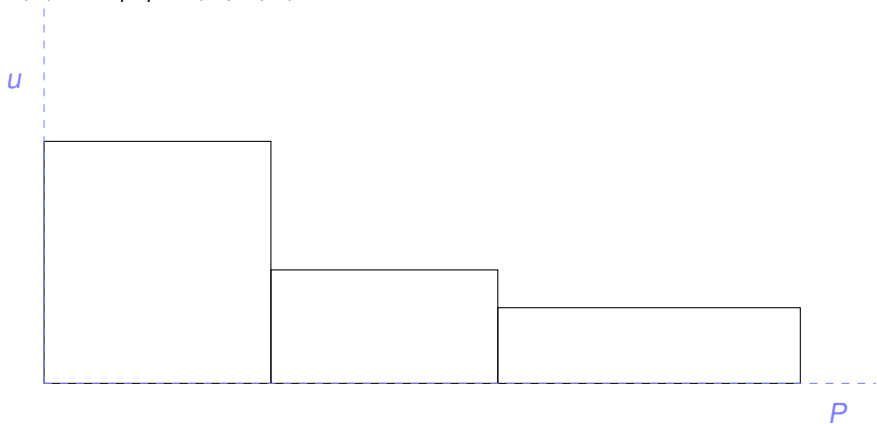


The Ellsberg Paradox



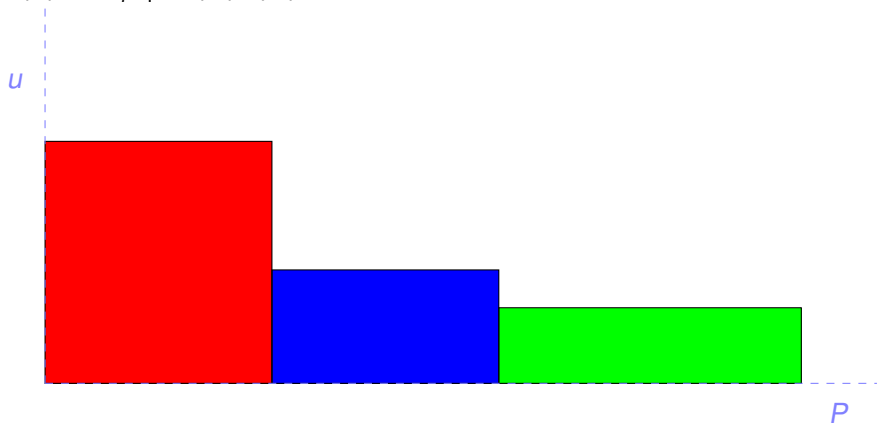
Expected Utility

$$U(a) = \sum_{i=1}^n P_a(o_i)u(o_i)$$



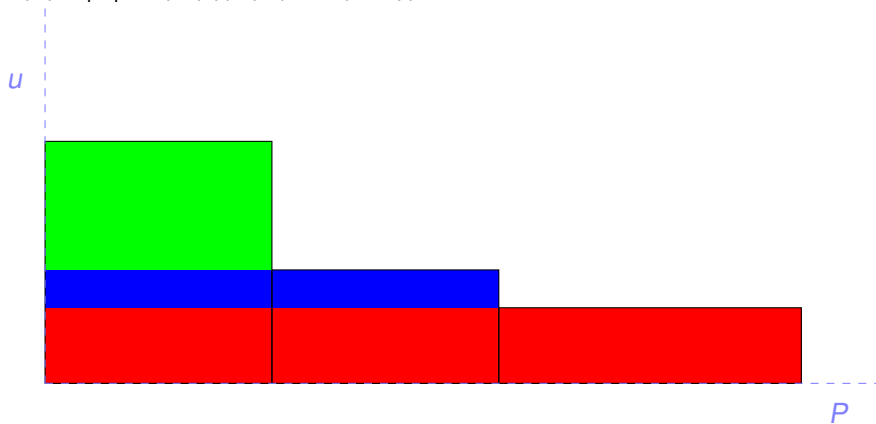
Expected Utility

$$U(a) = \sum_{i=1}^n P_a(o_i)u(o_i)$$



Expected Utility

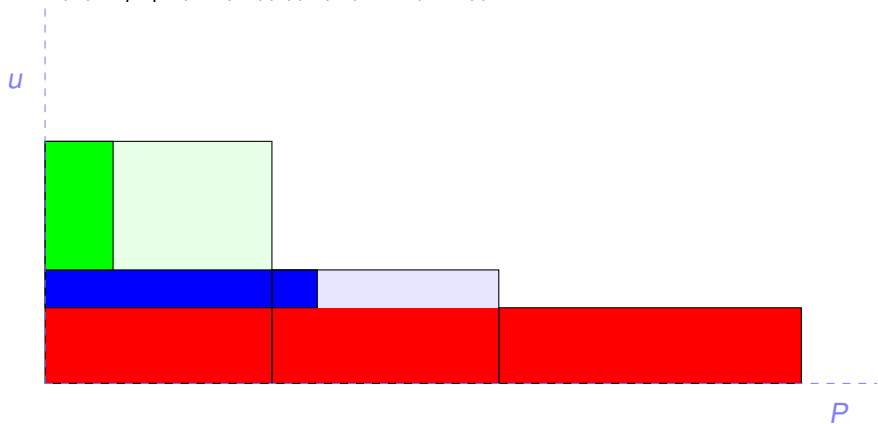
$$U(a) \sum_{i=1}^n P_a(E_i)((u(o_i) - u(o_{i-1})))$$



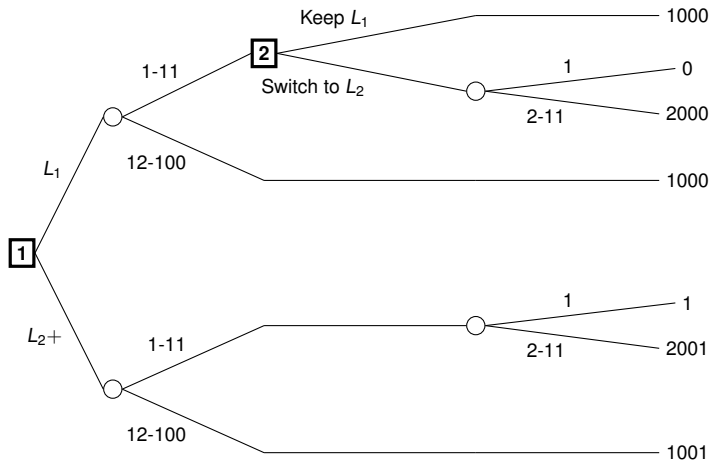
Risk-Weighted Expected Utility

$$REU(a) \sum_{i=1}^n r(P_a(E_i))((u(o_i) - u(o_{i-1})))$$

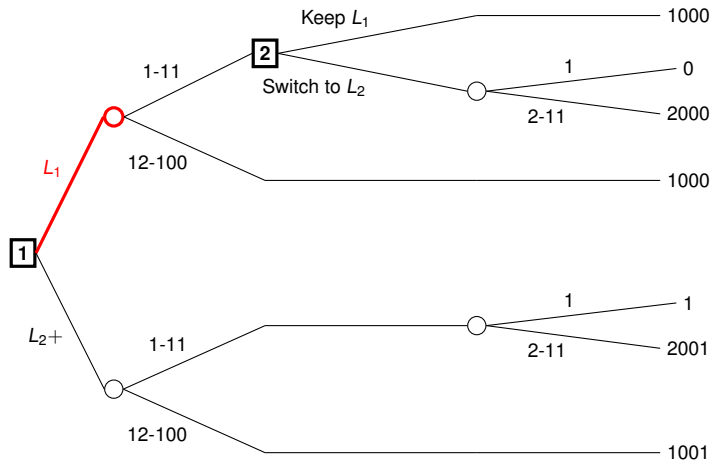
$$r = P^2$$



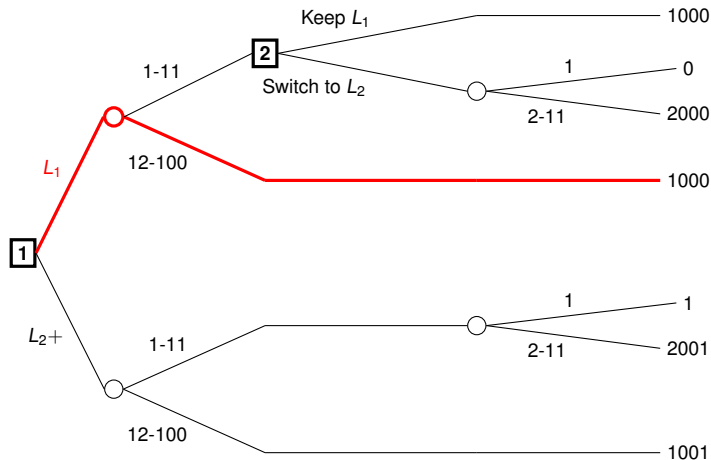
Paying to Change One's Mind



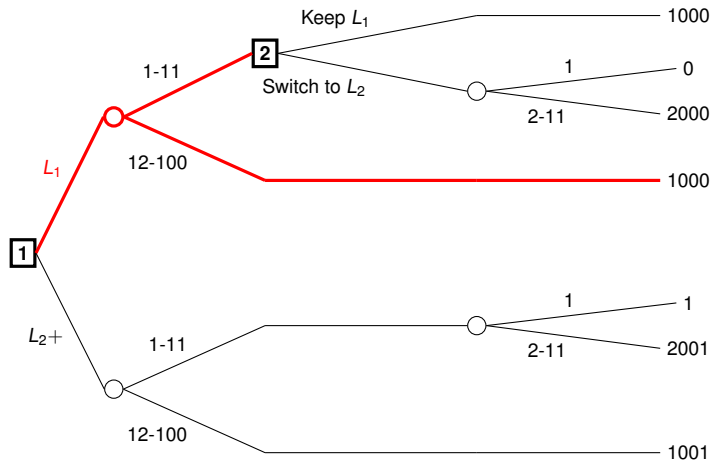
Paying to Change One's Mind



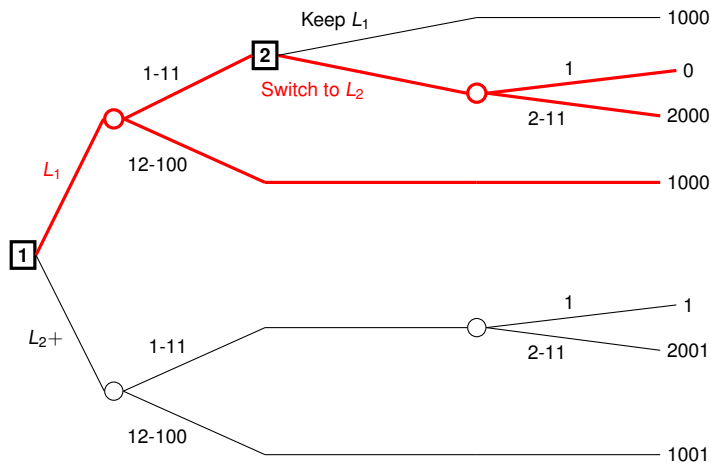
Paying to Change One's Mind



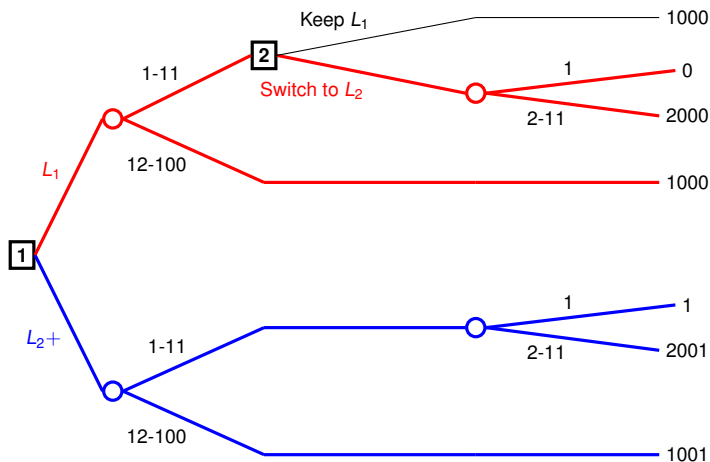
Paying to Change One's Mind



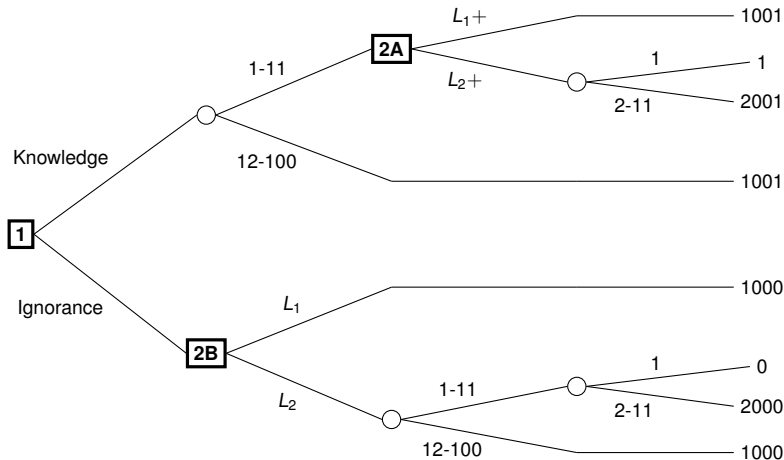
Paying to Change One's Mind



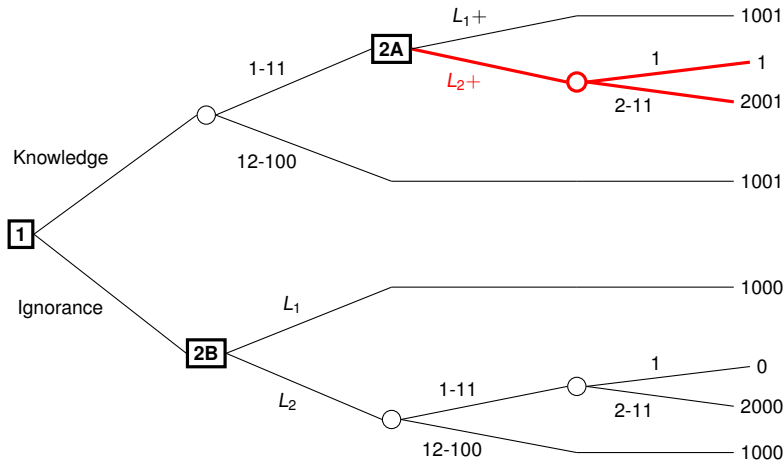
Paying to Change One's Mind



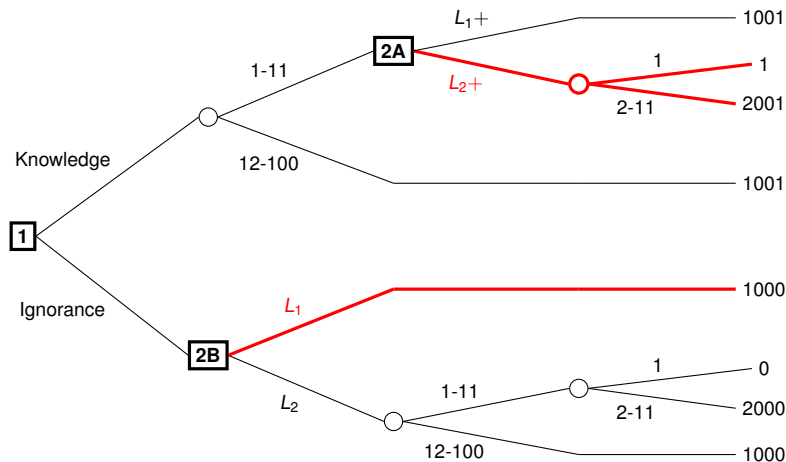
Paying to Avoid Information



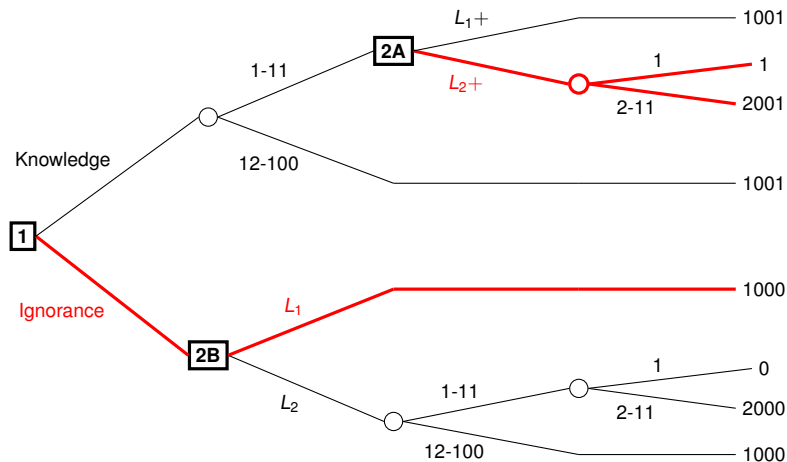
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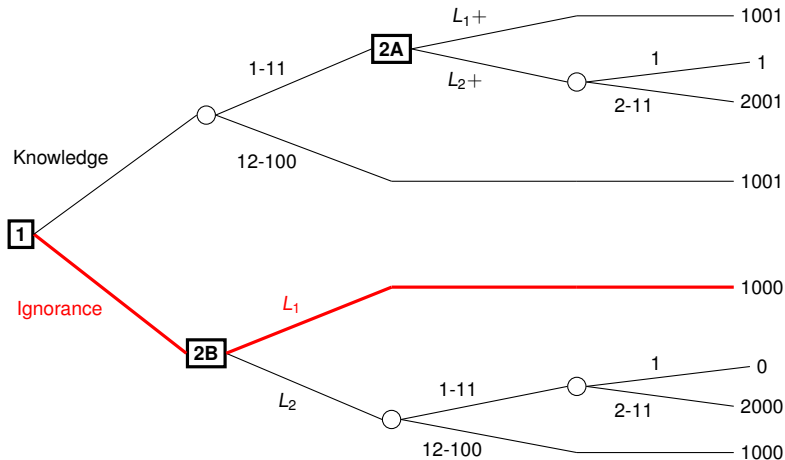
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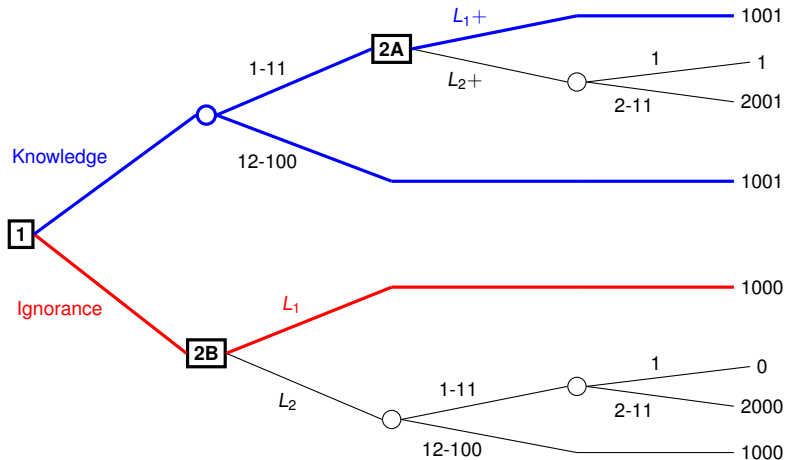
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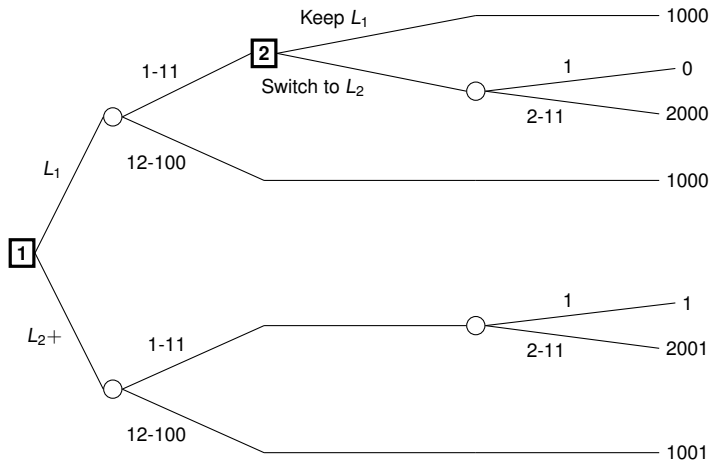
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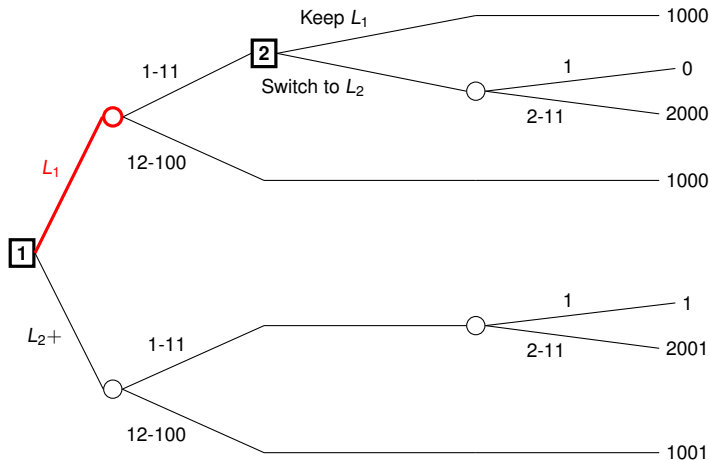
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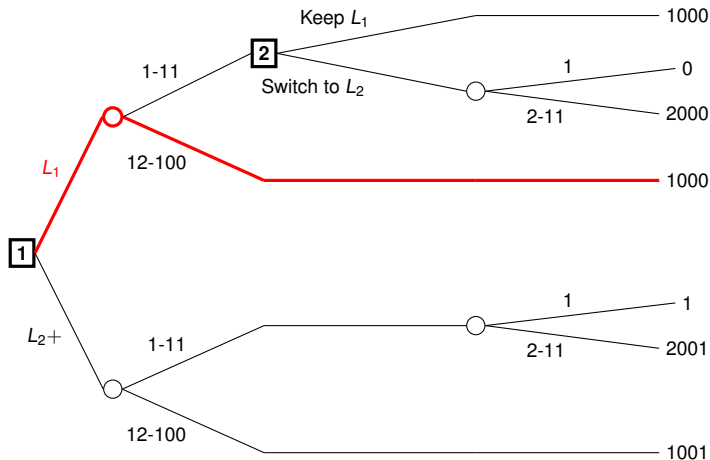
Mind-Changing Example Revisited: Naive Choice



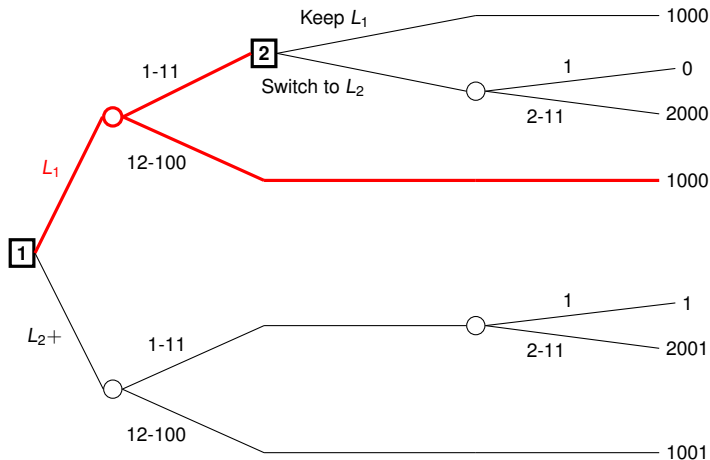
Mind-Changing Example Revisited: Naive Choice



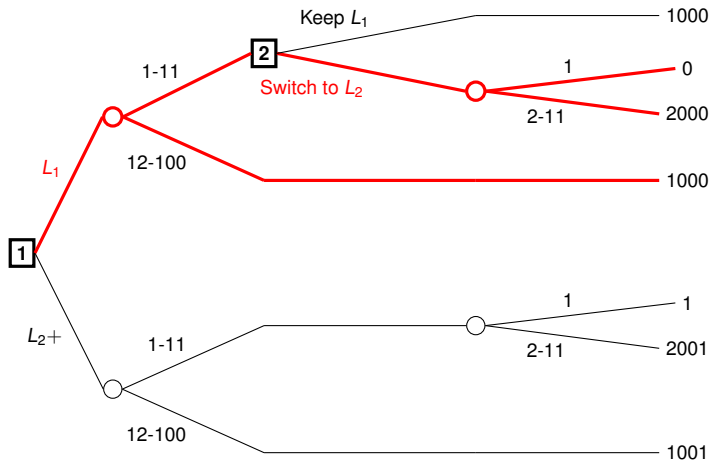
Mind-Changing Example Revisited: Naive Choice



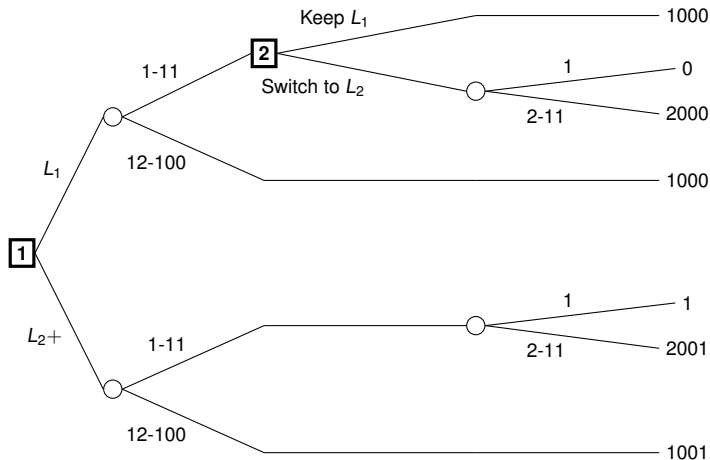
Mind-Changing Example Revisited: Naive Choice



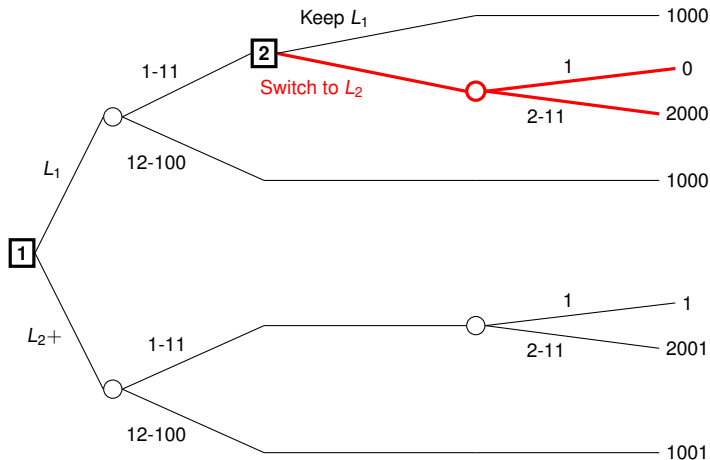
Mind-Changing Example Revisited: Naive Choice



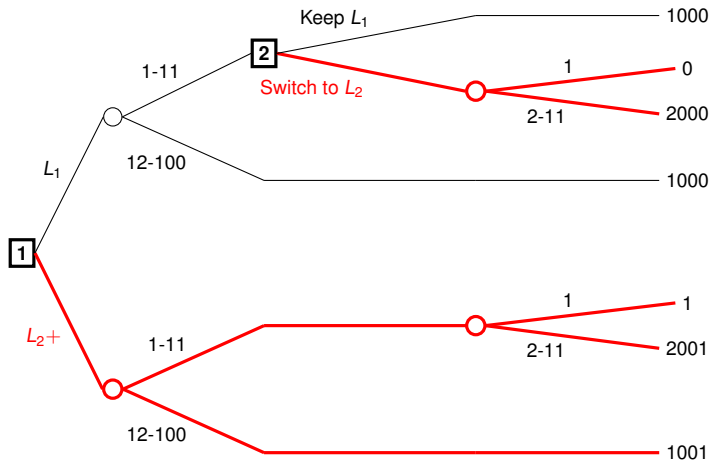
Mind-Changing Example Revisited: Sophisticated Choice



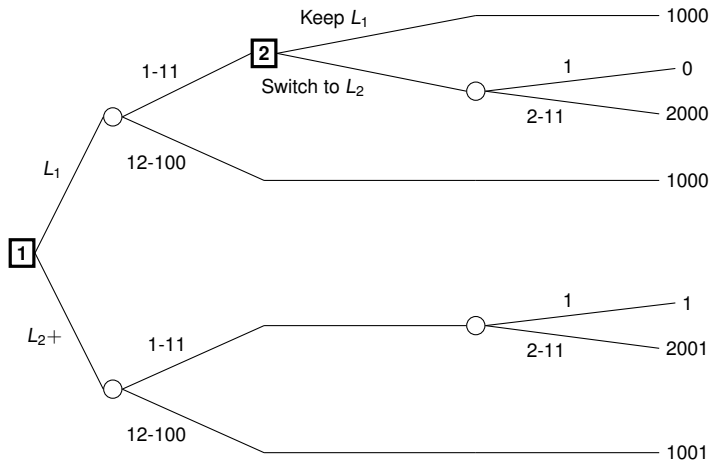
Mind-Changing Example Revisited: Sophisticated Choice



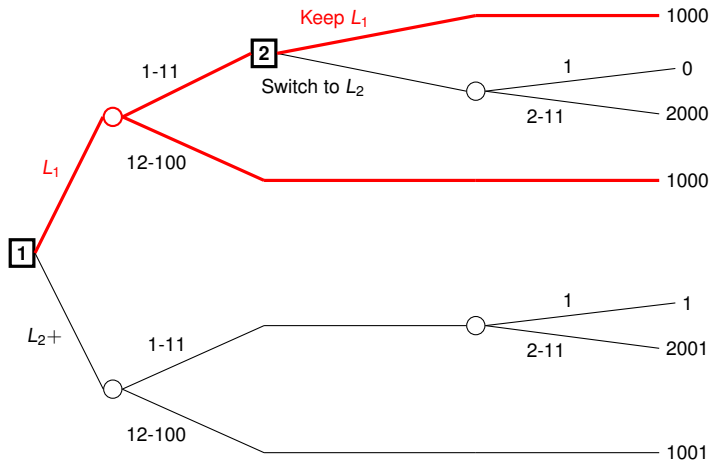
Mind-Changing Example Revisited: Sophisticated Choice



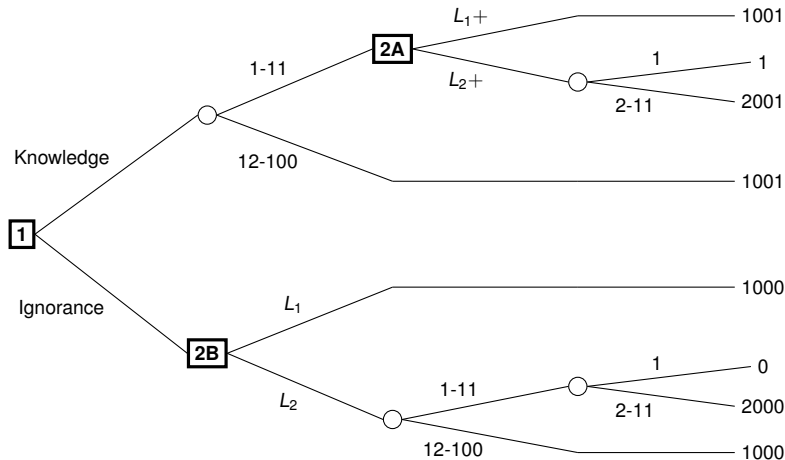
Mind-Changing Example Revisited: Resolute Choice



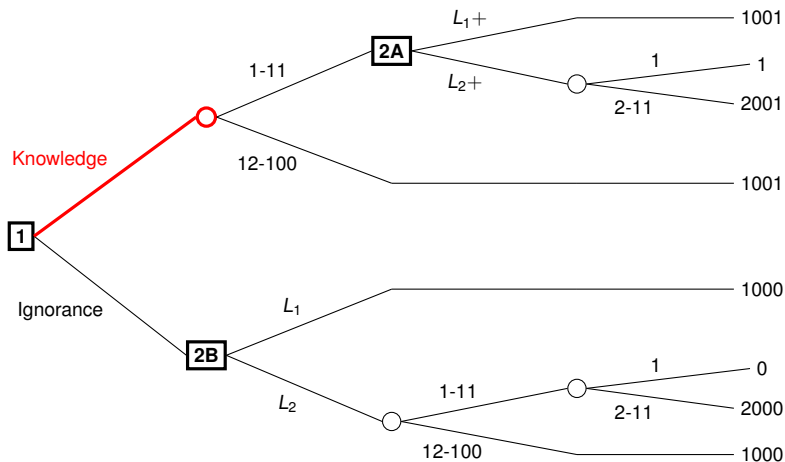
Mind-Changing Example Revisited: Resolute Choice



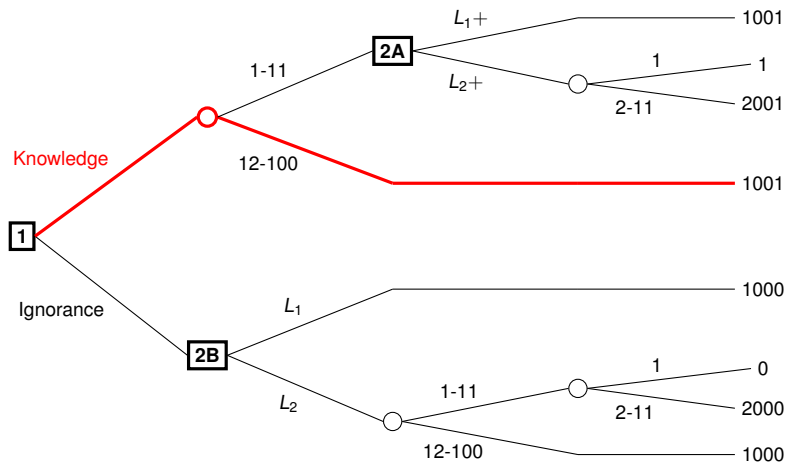
Information Example Revisited: Naive Choice



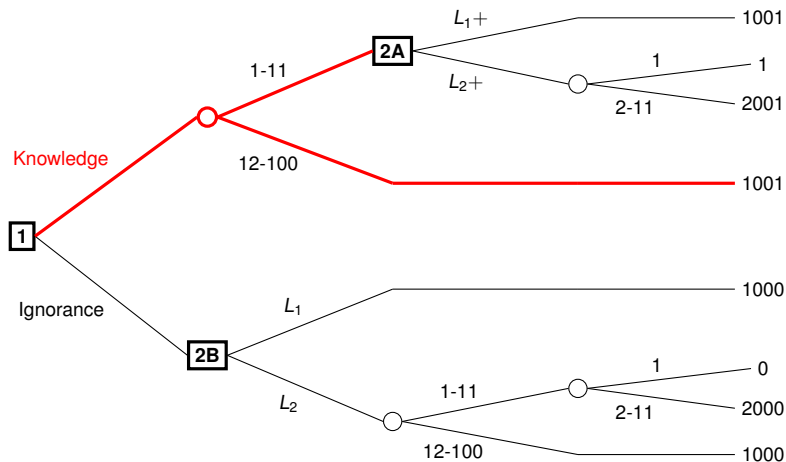
Information Example Revisited: Naive Choice



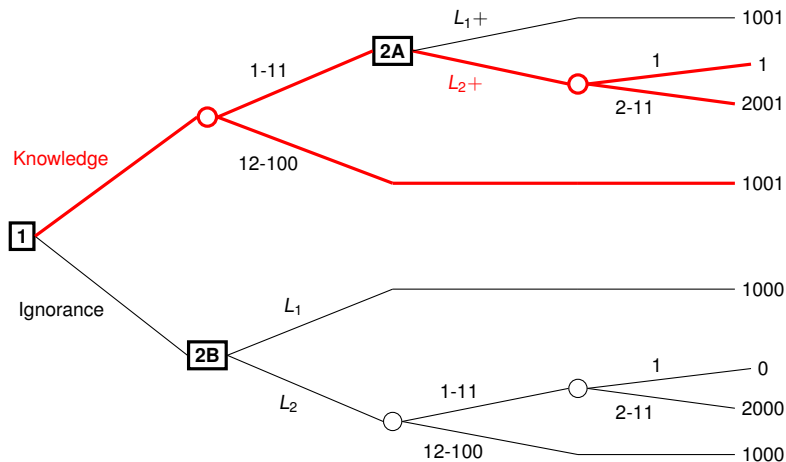
Information Example Revisited: Naive Choice



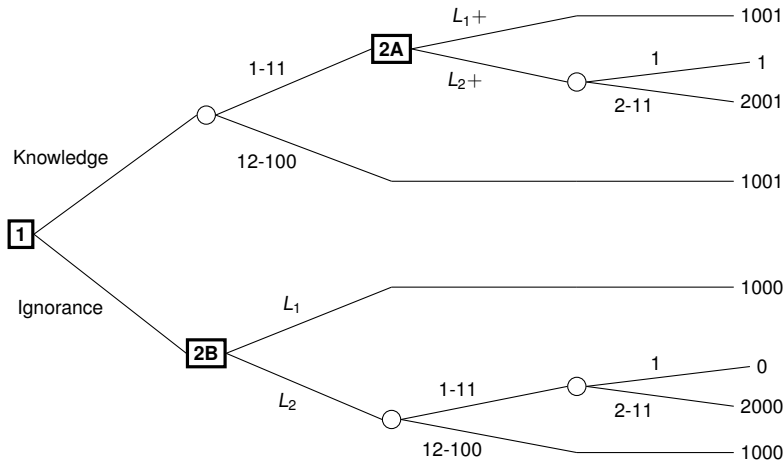
Information Example Revisited: Naive Choice



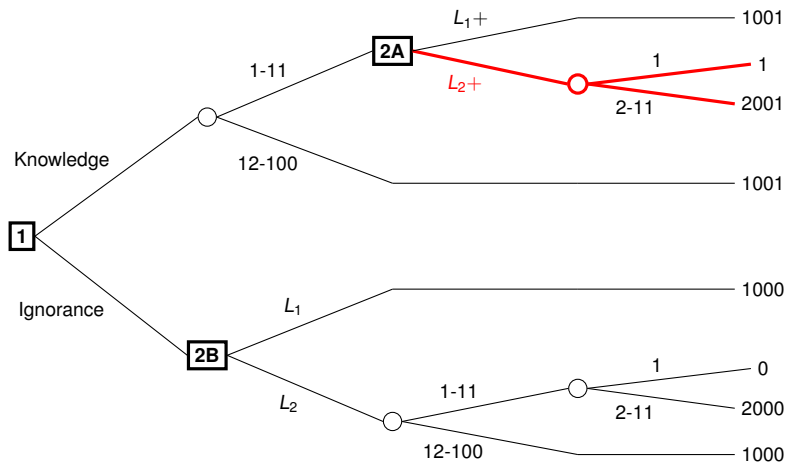
Information Example Revisited: Naive Choice



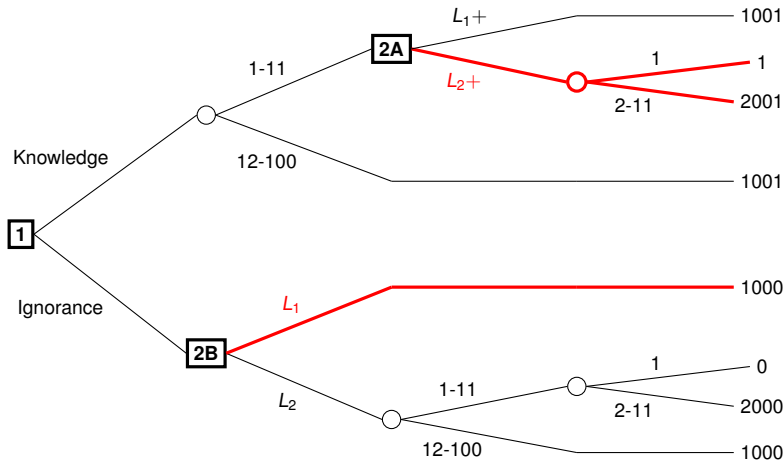
Information Example Revisited: Sophisticated Choice



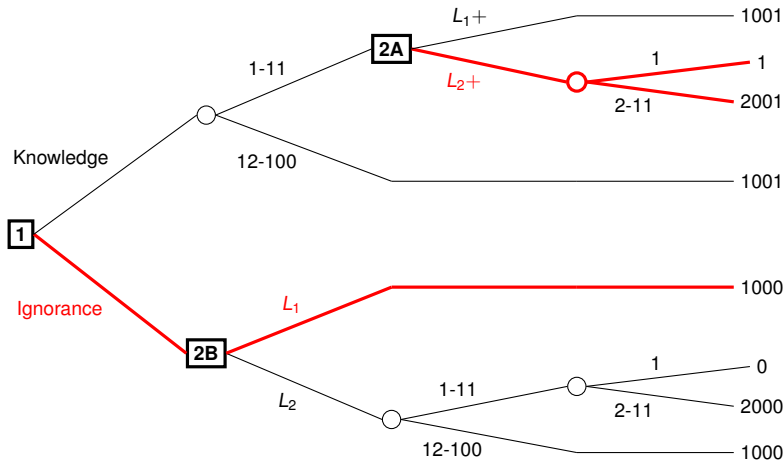
Information Example Revisited: Sophisticated Choice



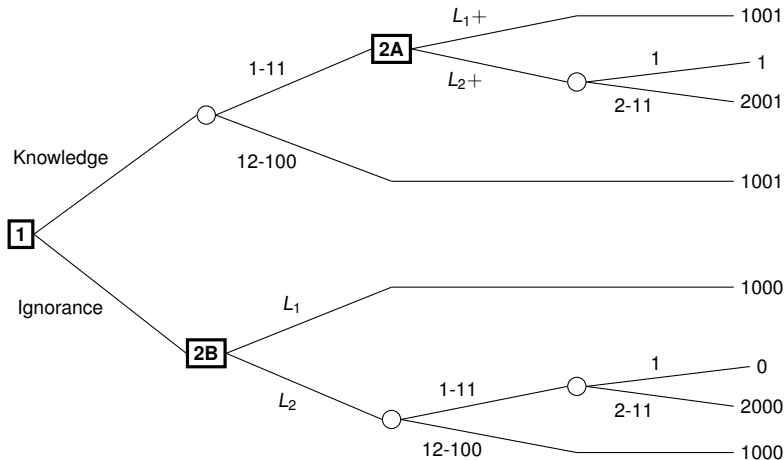
Paying to Avoid Information



Information Example Revisited: Sophisticated Choice



Information Example Revisited: Resolute Choice



Information Example Revisited: Resolute Choice

