

Testing between Alternative Models of Choice under Uncertainty: Some Initial Results

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Abstract:

Experiments have identified a number of well-known violations of expected utility theory, giving rise to alternative models of choice under uncertainty, all of which are able to explain these violations. In this article, predictions of several prominent rival formulations are examined. No single alternative consistently organizes choices. Among the more important inconsistencies, we identify conditions generating systematic fanning in or indifference curves in the unit probability triangle, and find risk-loving over a number of gambles with all positive payoffs, in cases where prospect theory predicts risk aversion.

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