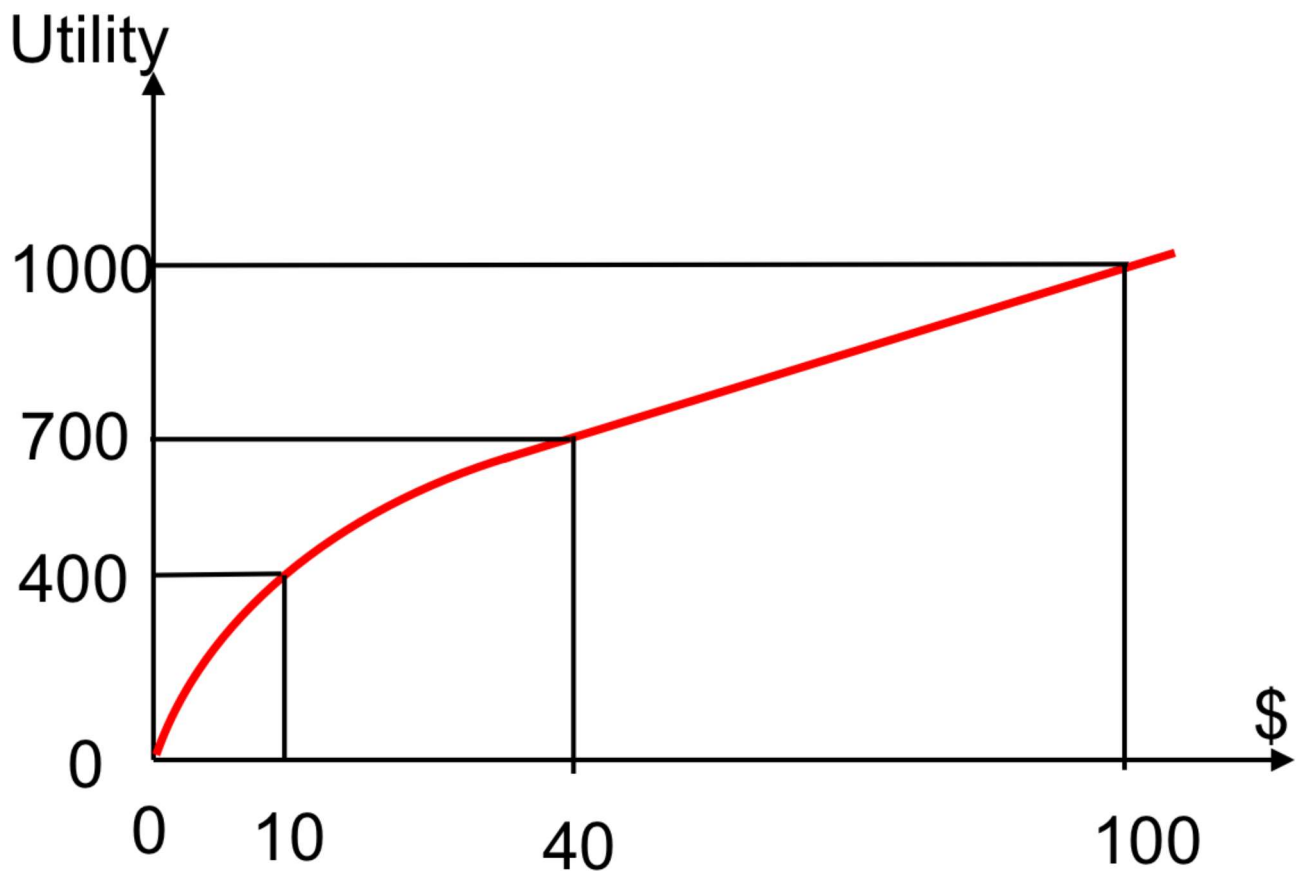


hw3_games_q10_certainty_equivalent_values

Question 10: Certainty Equivalent Values

4/4 points (ungraded)

Consider the utility function shown below.



Under the above utility function, what is the certainty equivalent monetary value in dollars (\$) of the lottery $[0.6, \$0; 0.4, \$100]$?

I.e., what is X such that $U(\$X) = U([0.6, \$0; 0.4, \$100])$?

Hint: Keep in mind that $U([p, A; 1 - p, B])$ is not equal to $U(pA + (1 - p)B)$.

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Submit

✓ Correct (4/4 points)