

Quiz 5: Rationality

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3/3 points (ungraded)

Part 1

Consider a lottery $L = [0.2, A; 0.3, B; 0.4, C; 0.1, D]$, where the utility values of each of the outcomes are $U(A) = 1, U(B) = 3, U(C) = 5, U(D) = 2$. What is the utility of this lottery, $U(L)$?



Part 2

Consider a lottery $L1 = [0.5, A; 0.5, L2]$, where $U(A) = 4$, and $L2 = [0.5, X; 0.5Y]$ is a lottery, and $U(X) = 4, U(Y) = 8$. What is the utility of the the first lottery, $U(L1)$?



Part 3

Assume $A \succ B, B \succ L$, where $L = [0.5, C; 0.5, D]$, and $D \succ A$. Assuming rational preferences, which of the following statements are guaranteed to be true?

☒ $A \succ L$ ☒ $A \succ C$ ☐ $A \succ D$ ☒ $B \succ C$ ☐ $B \succ D$



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✓ Correct (3/3 points)