

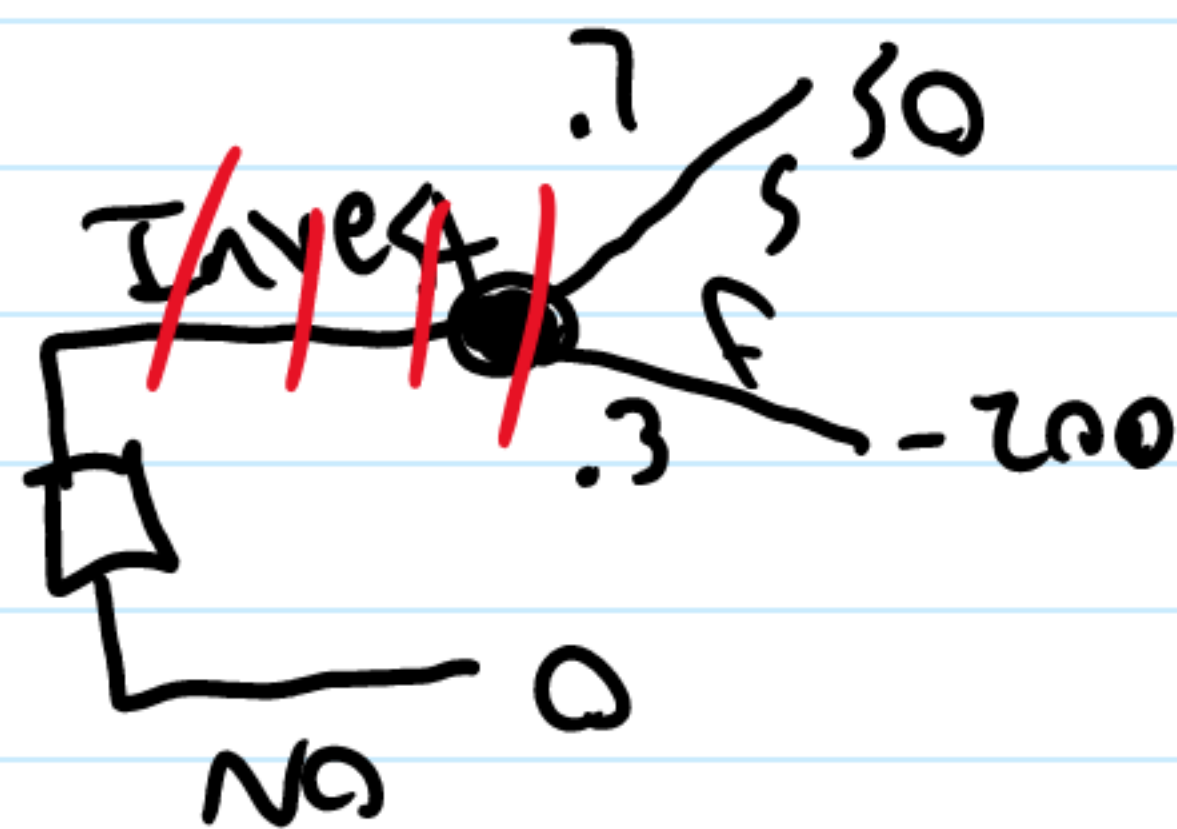
2.1 Value of Information

Saturday, January 16, 2021 10:07 PM

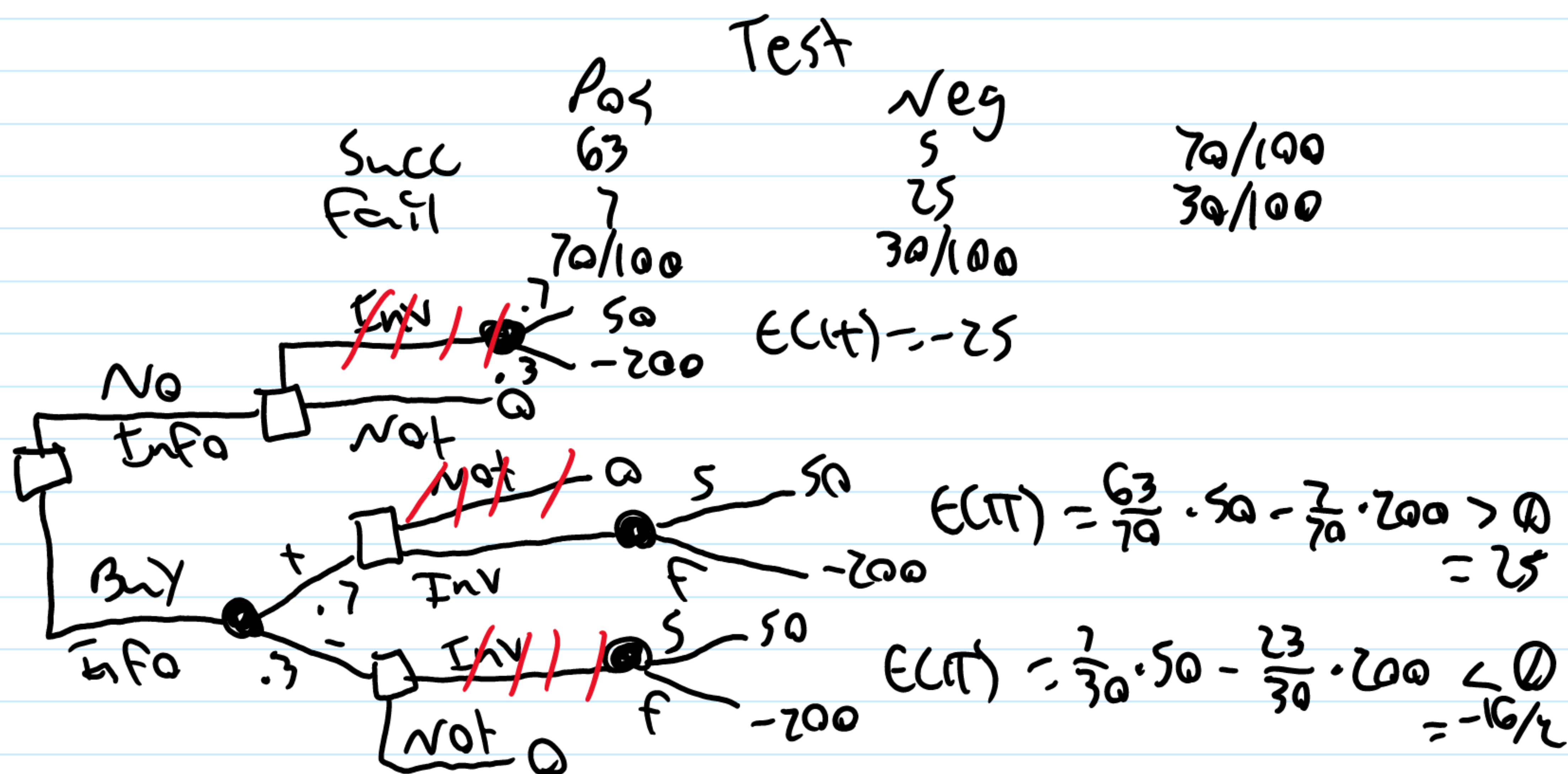
$$P(S) = .7$$

$$\pi_S = 50$$

$$\pi_F = -200$$



$$E(\pi | \text{Inv}) = .7 \cdot 50 + .3 \cdot (-200) = 35 - 60 = -25$$



$$E(\pi | \text{Info}) = .7 \cdot 25 + .3 \cdot 0 = 17.5 > 0$$

$$\text{Value of Info} : 17.5 - 0 = 17.5$$

$$P(S | +) > P(S)$$

$$P(S | -) < P(S)$$