Continuity

Notes on Behavioural Economics

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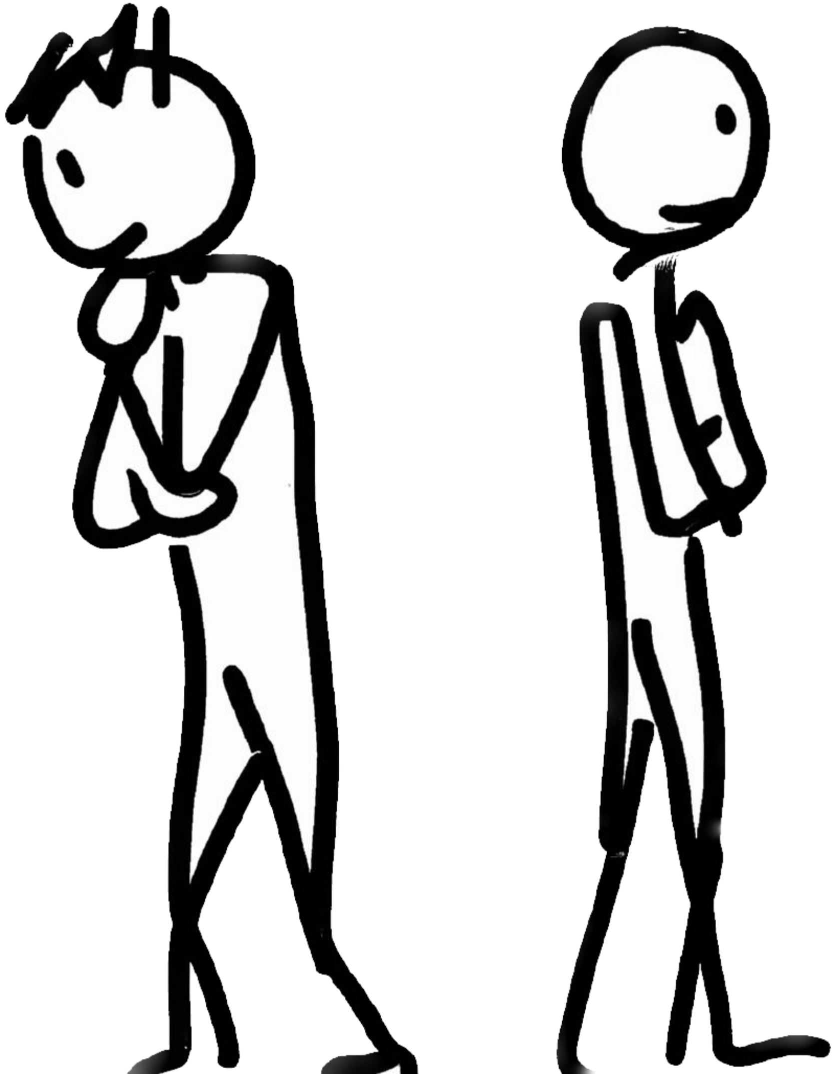


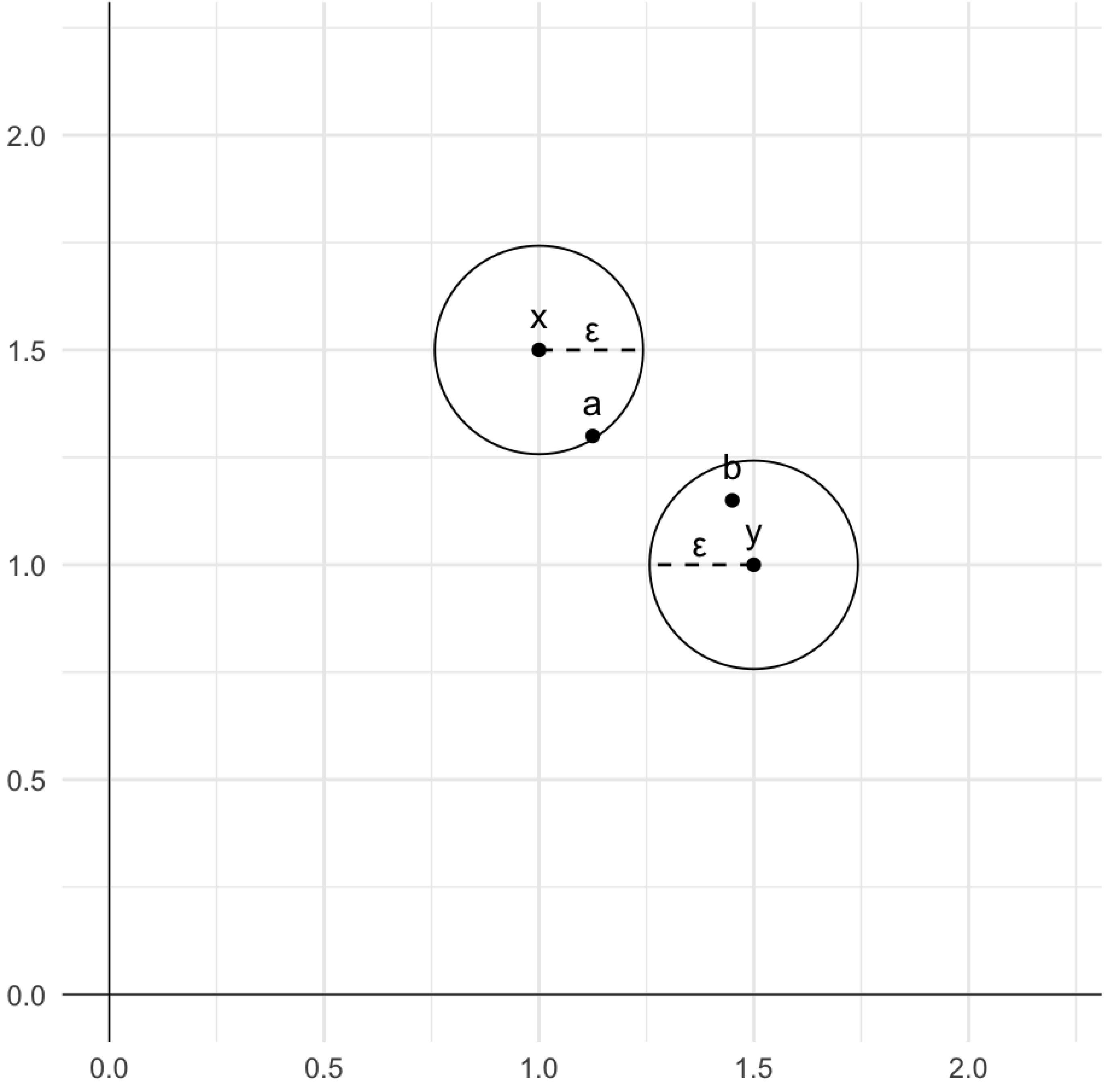
Continuity

For any $x \succ y$ there exists a number $\varepsilon > 0$ such that every bundle a that is less distant from x than ε and every bundle b that is less distant from y than ε results in $a \succ b$.

Continuity

For any $x \succ y$ there are *some* neighbourhoods $N_\varepsilon x$ and $N_\varepsilon y$ around x and y such that for every $\mathrm{a} \in N_\varepsilon x$ and $\mathrm{b} \in N_\varepsilon y$ we have $a \succ b$.

Continuity

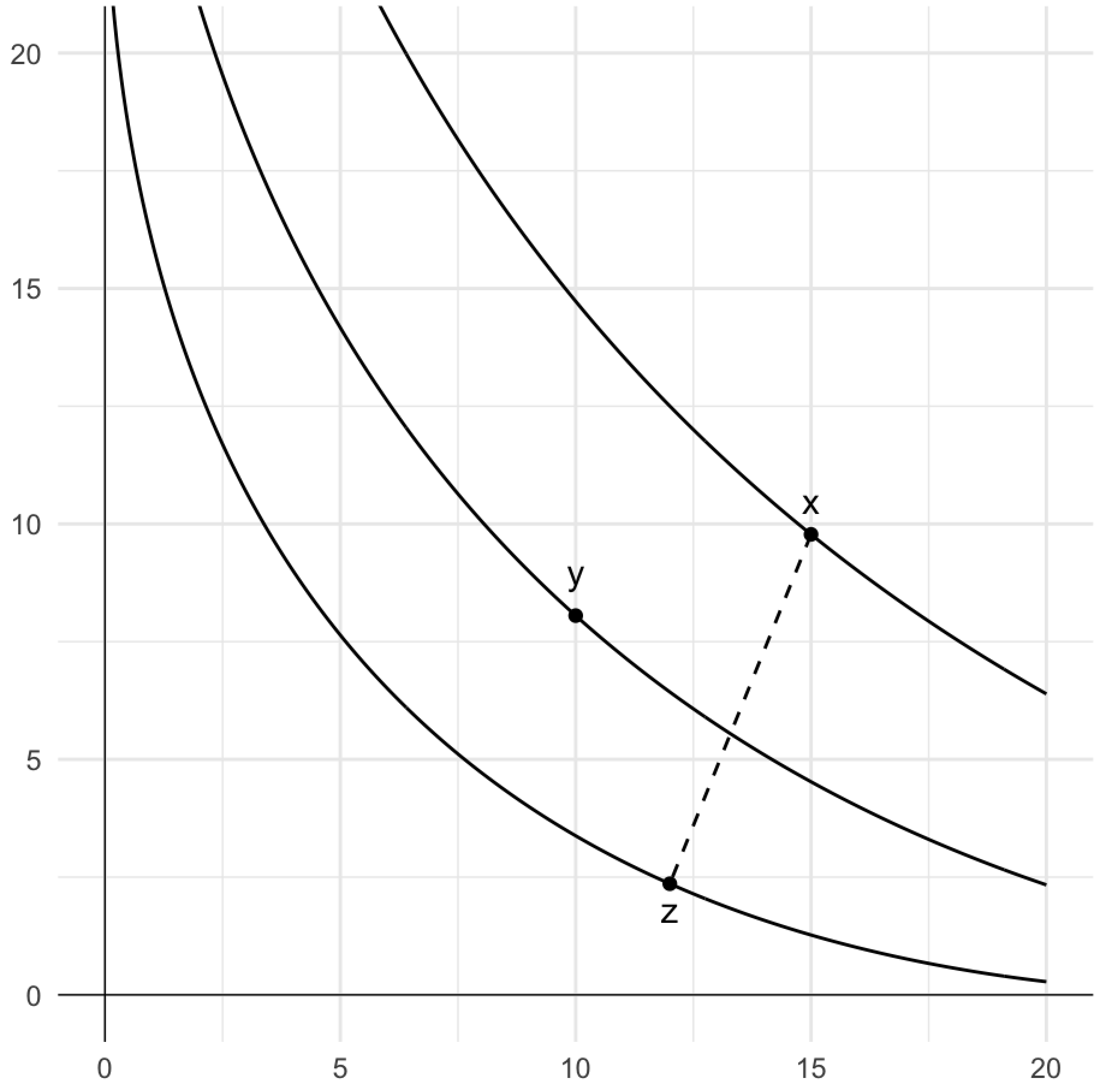


Continuity

Let x, y and z be lotteries with $x \succcurlyeq y \succcurlyeq z$. Then there exists a probability p such that y is equally good as a mix of x and z. That is, there exists p such that:

$$px + (1 - p)z \sim y$$

Continuity



Lexicographic preferences

A. (1, 1)

B. (1, 2)

C. (1.1, 1)

Lexicographic preferences

$A.$ (1, 1) $C \succ B \succ A$

$B.$ (1, 2)

$C.$ (1.1, 1)

Lexicographic preferences

A. (1, 1) $\quad C \succ B \succ A$

B. (1, 2)

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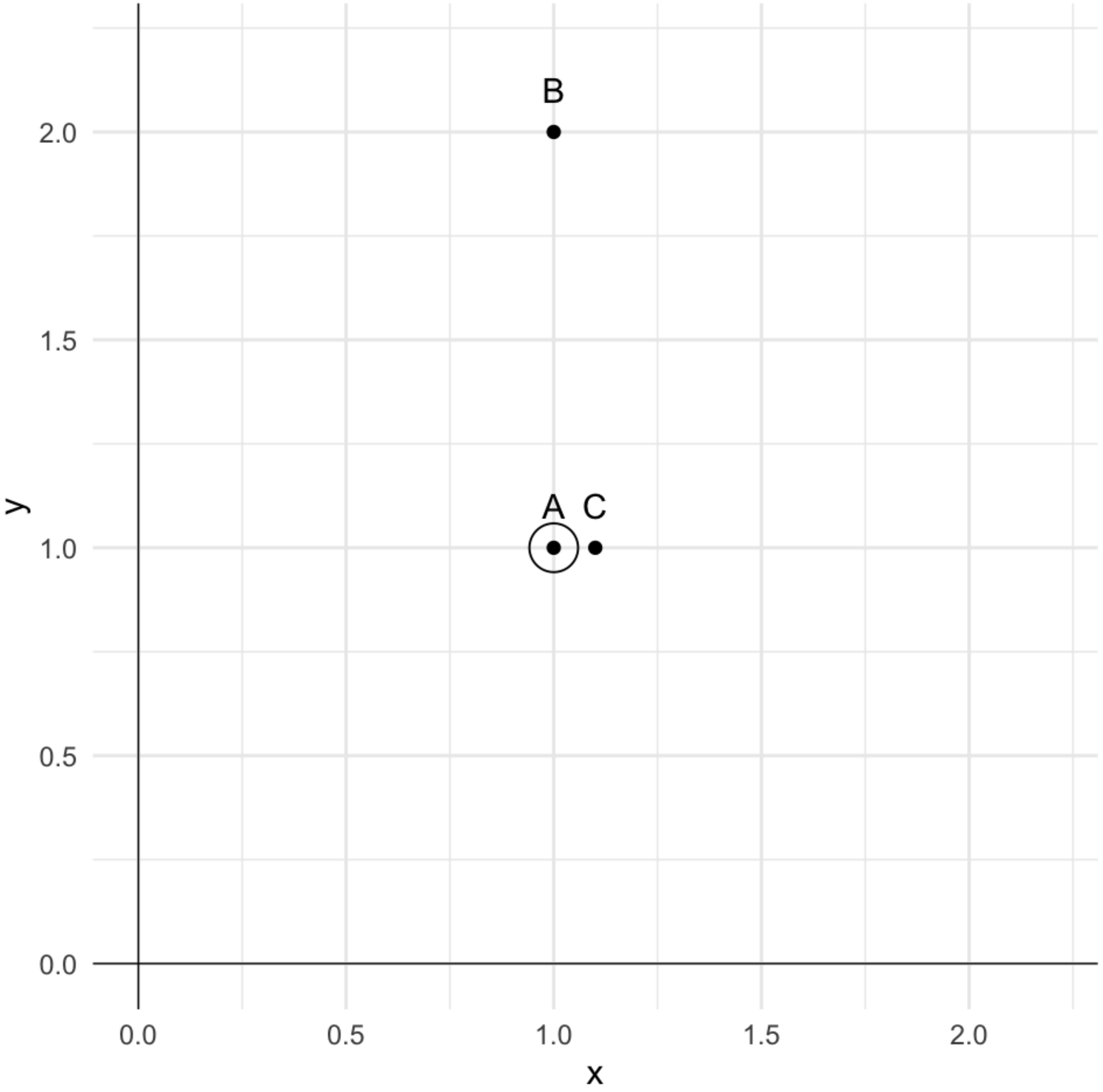

Lexicographic preferences

A. (1, 1) $\quad C \succ B \succ A$

B. (1, 2)

C. (1.1, 1)

There is no p for which:

$$pA + (1-p)C \sim B$$