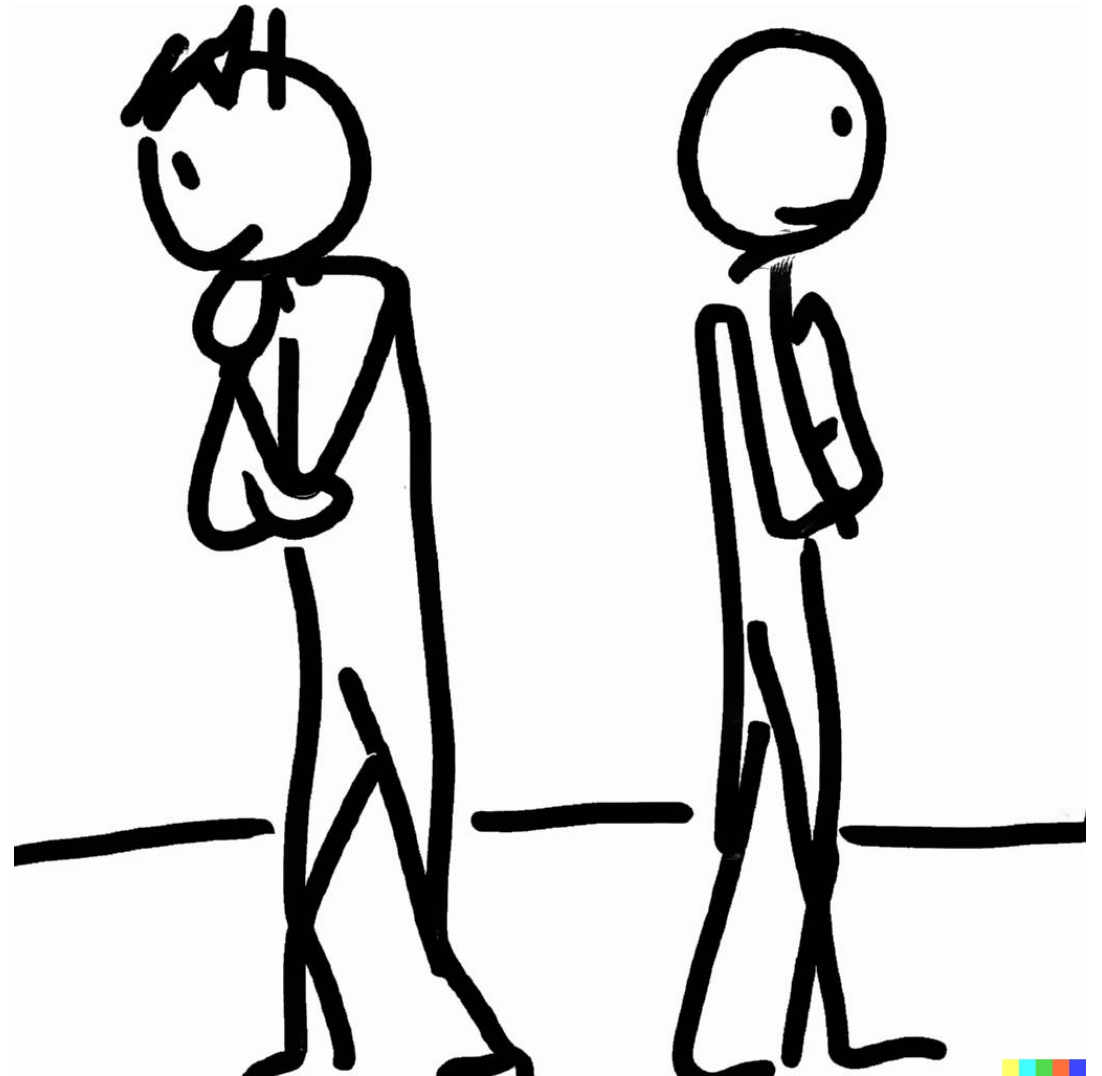


Anomalies in expected utility theory: absurd rates of risk aversion

Notes on Behavioural Economics

Jason Collins



Absurd rates of risk aversion

I offer you the following one-off bet by flipping a coin:

Head: You win \$110

Tail: You lose \$100

Absurd rates of risk aversion

Turn down:

Head: You win \$110

Tail: You lose \$100

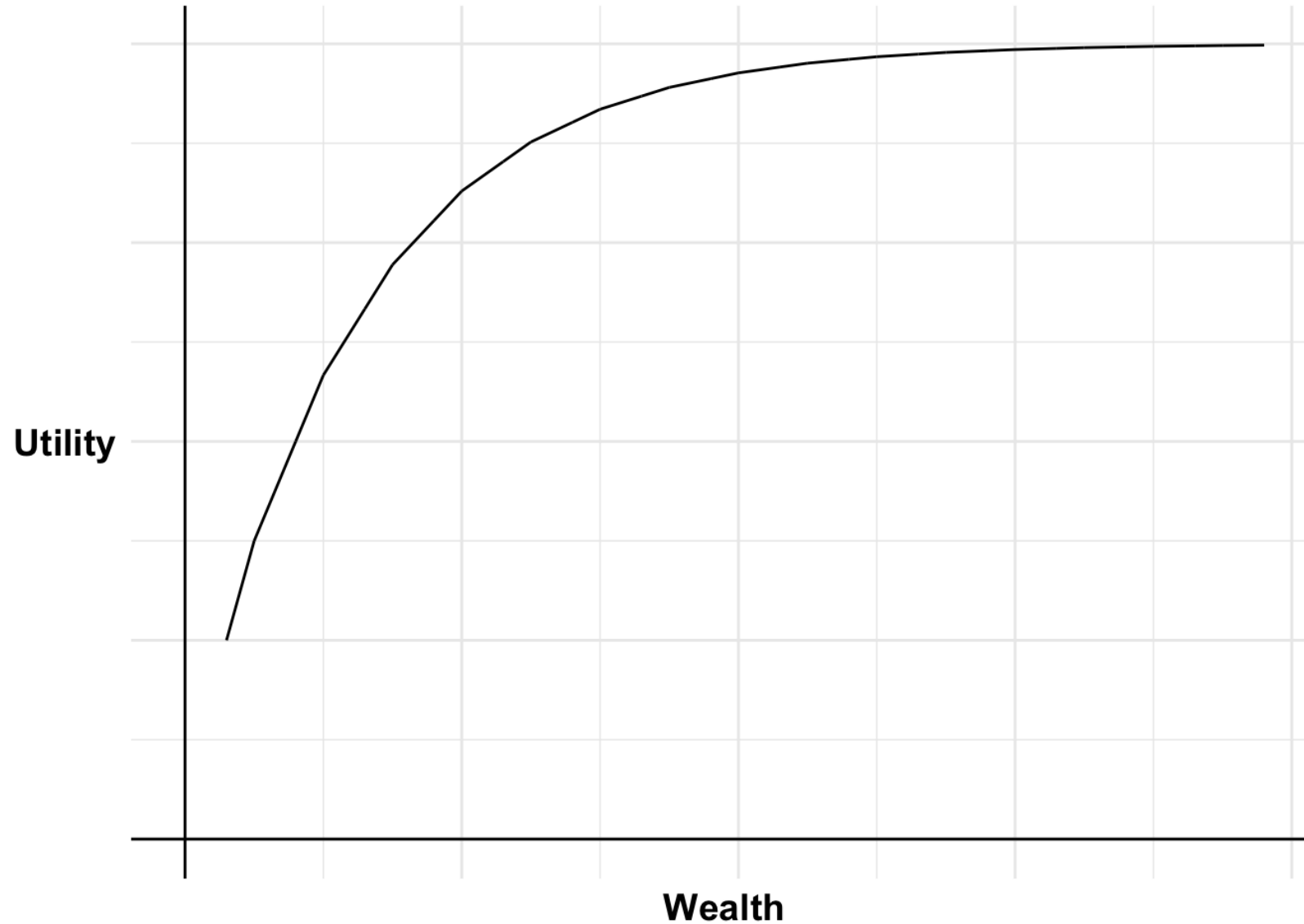


Turn down:

Head: You win \$1 billion

Tail: You lose \$1000

Absurd rates of risk aversion



Absurd rates of risk aversion

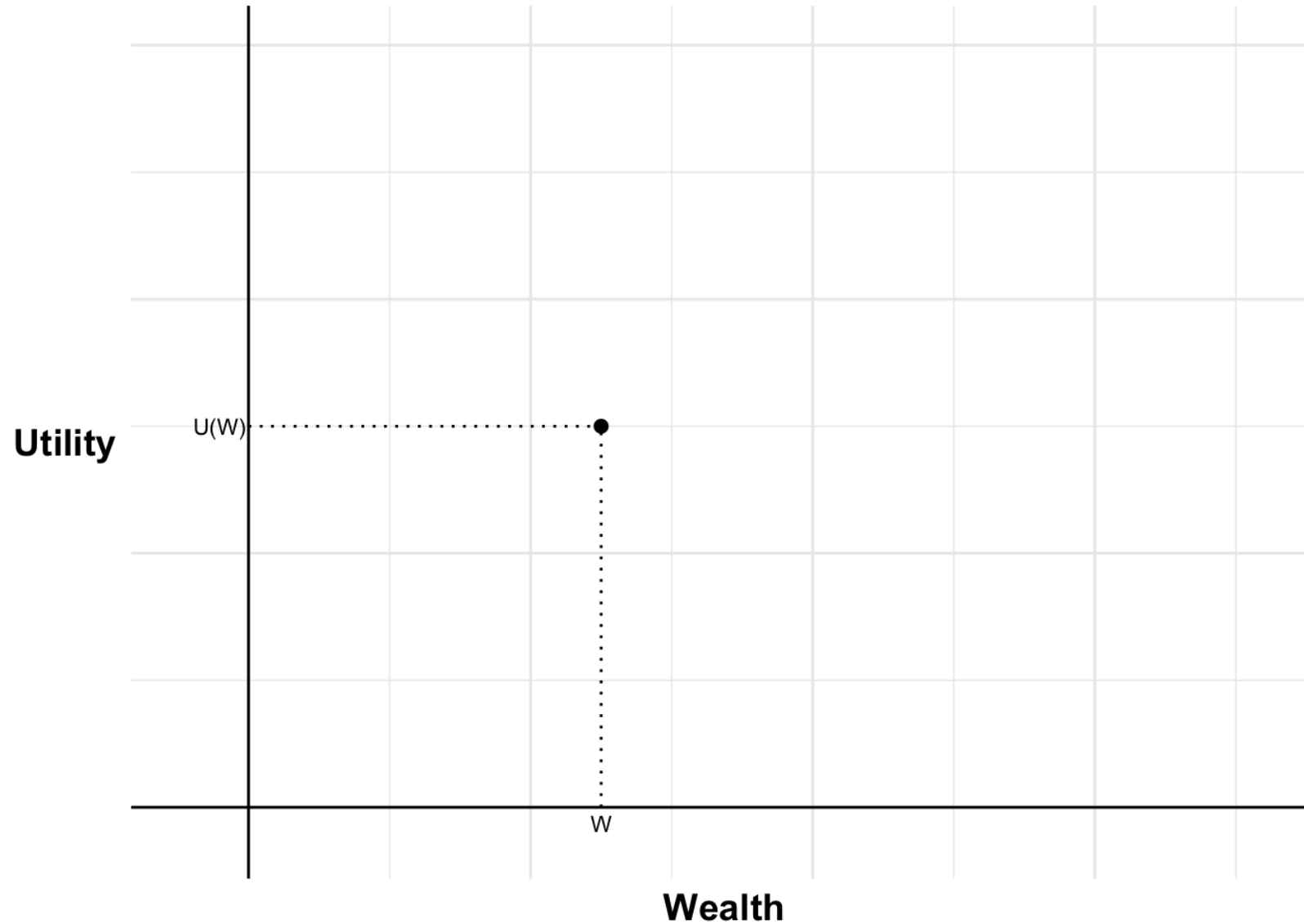
A 50-50 bet to:

Win \$150

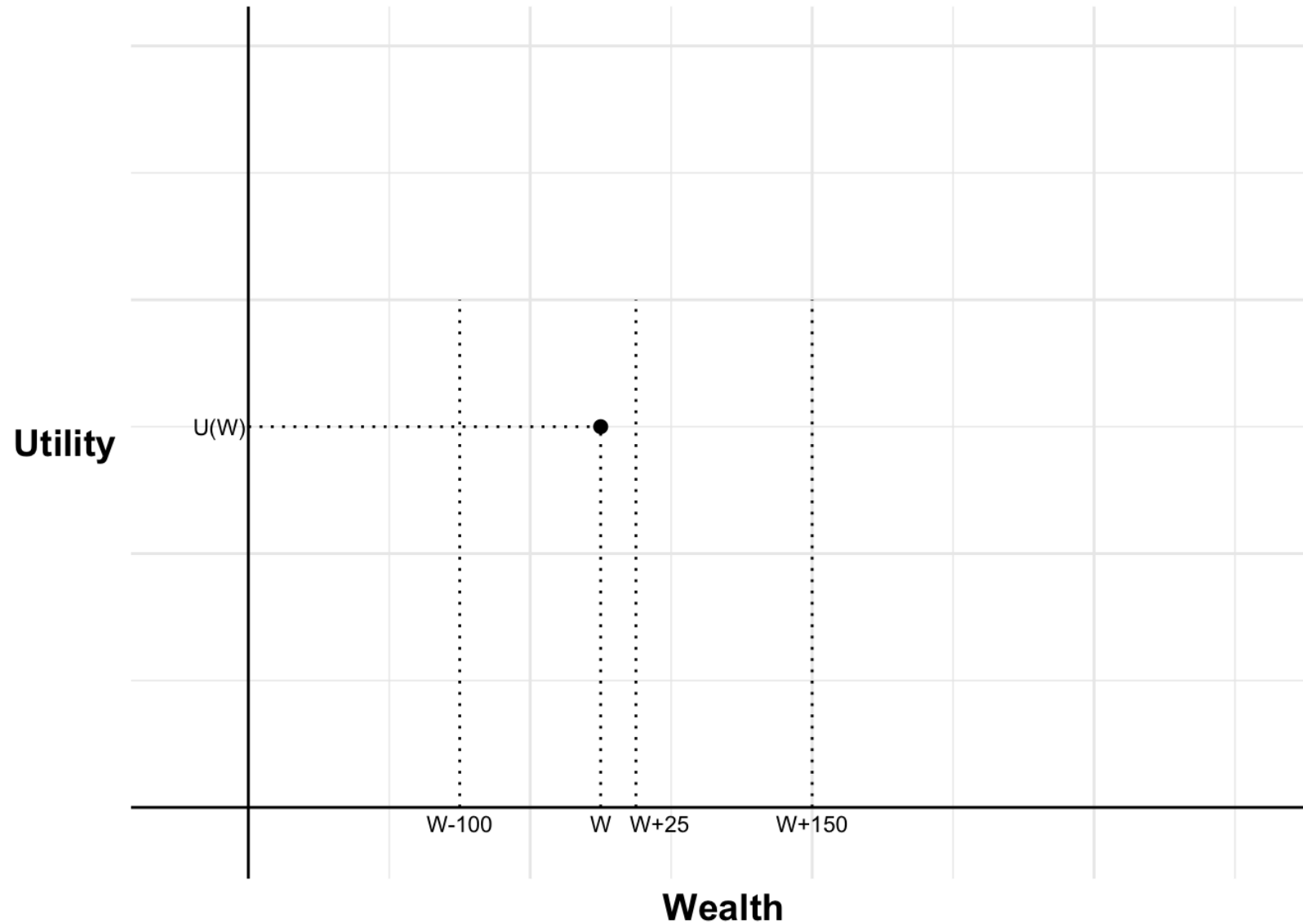
Lose \$100



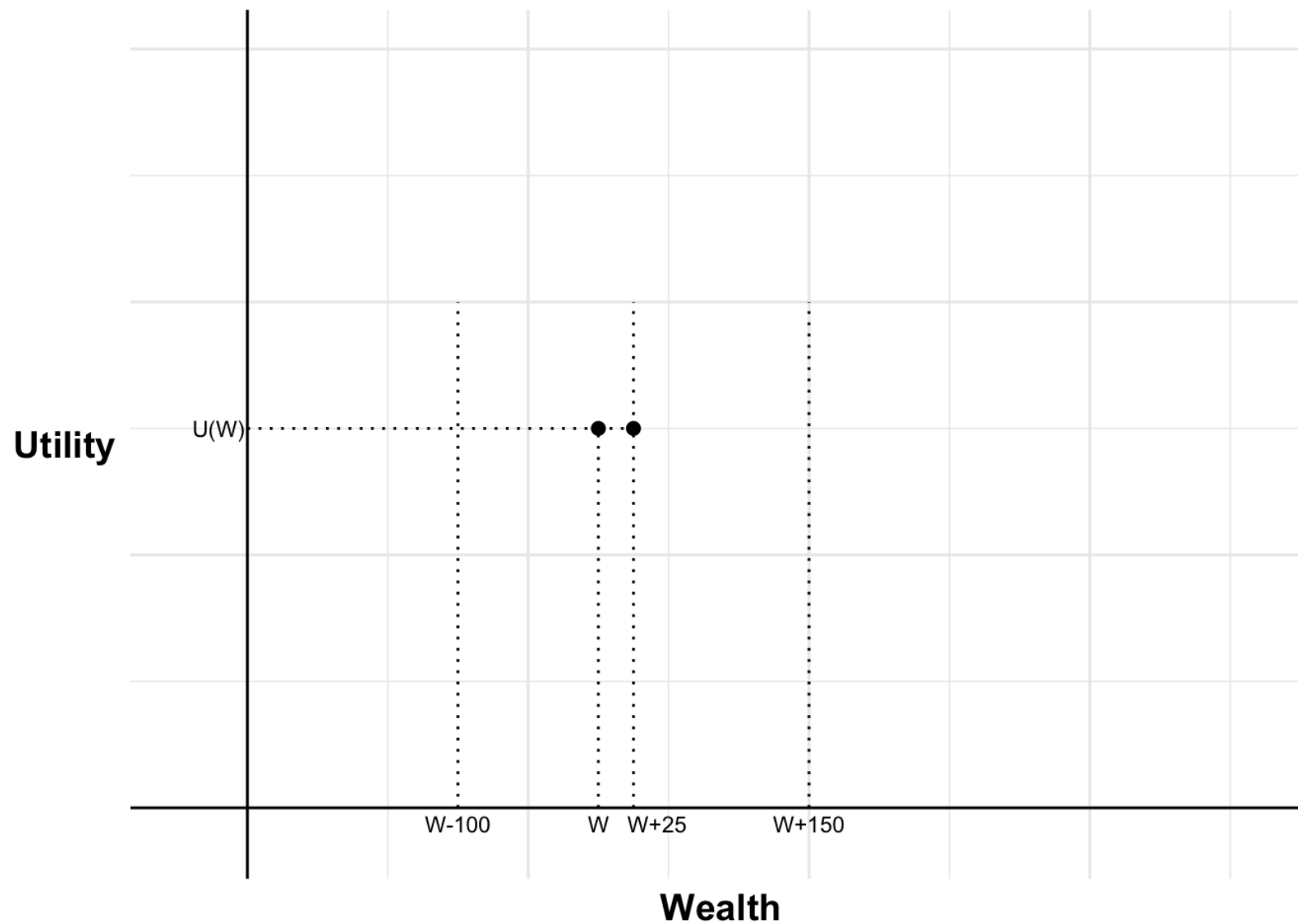
Absurd rates of risk aversion



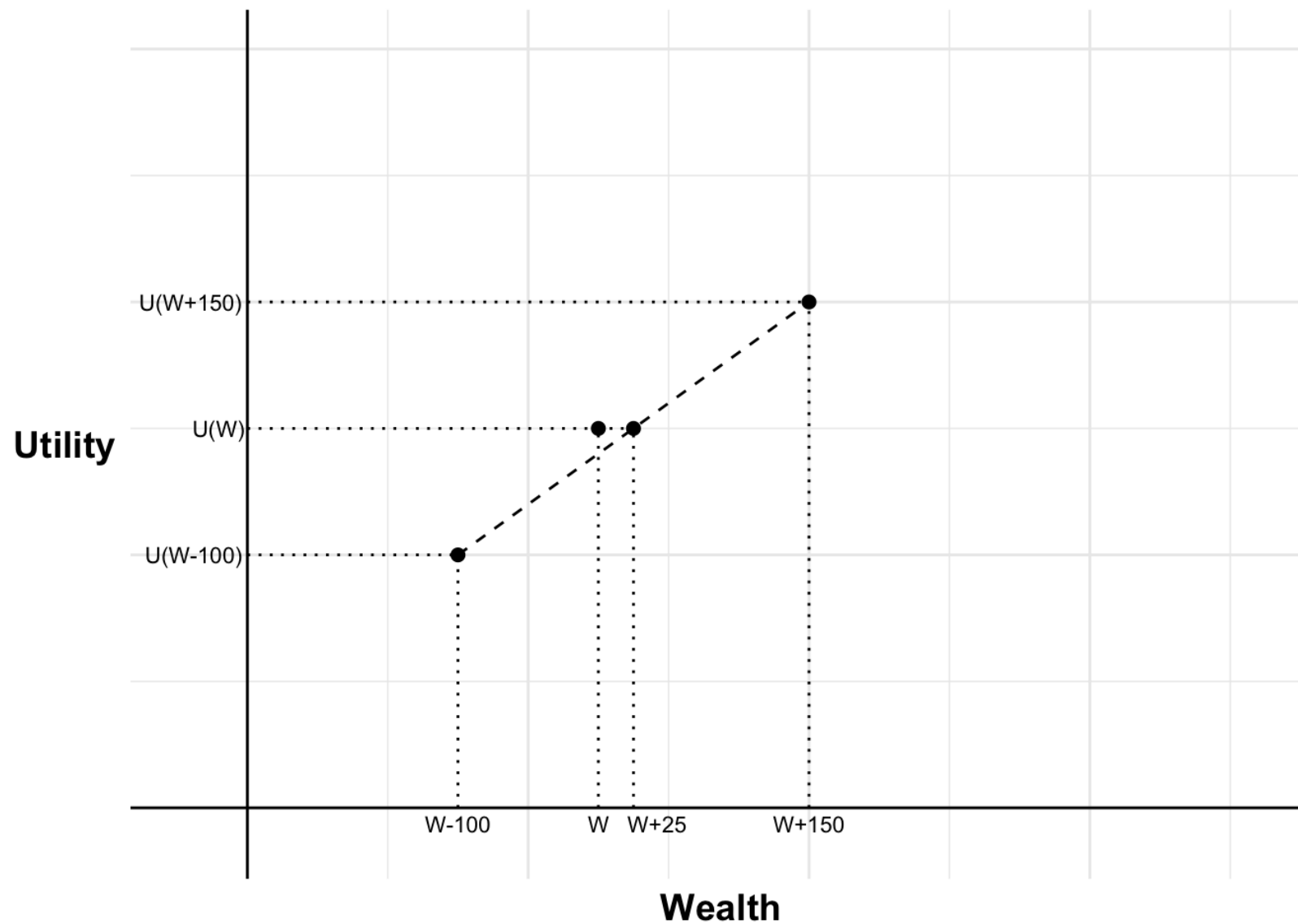
Absurd rates of risk aversion



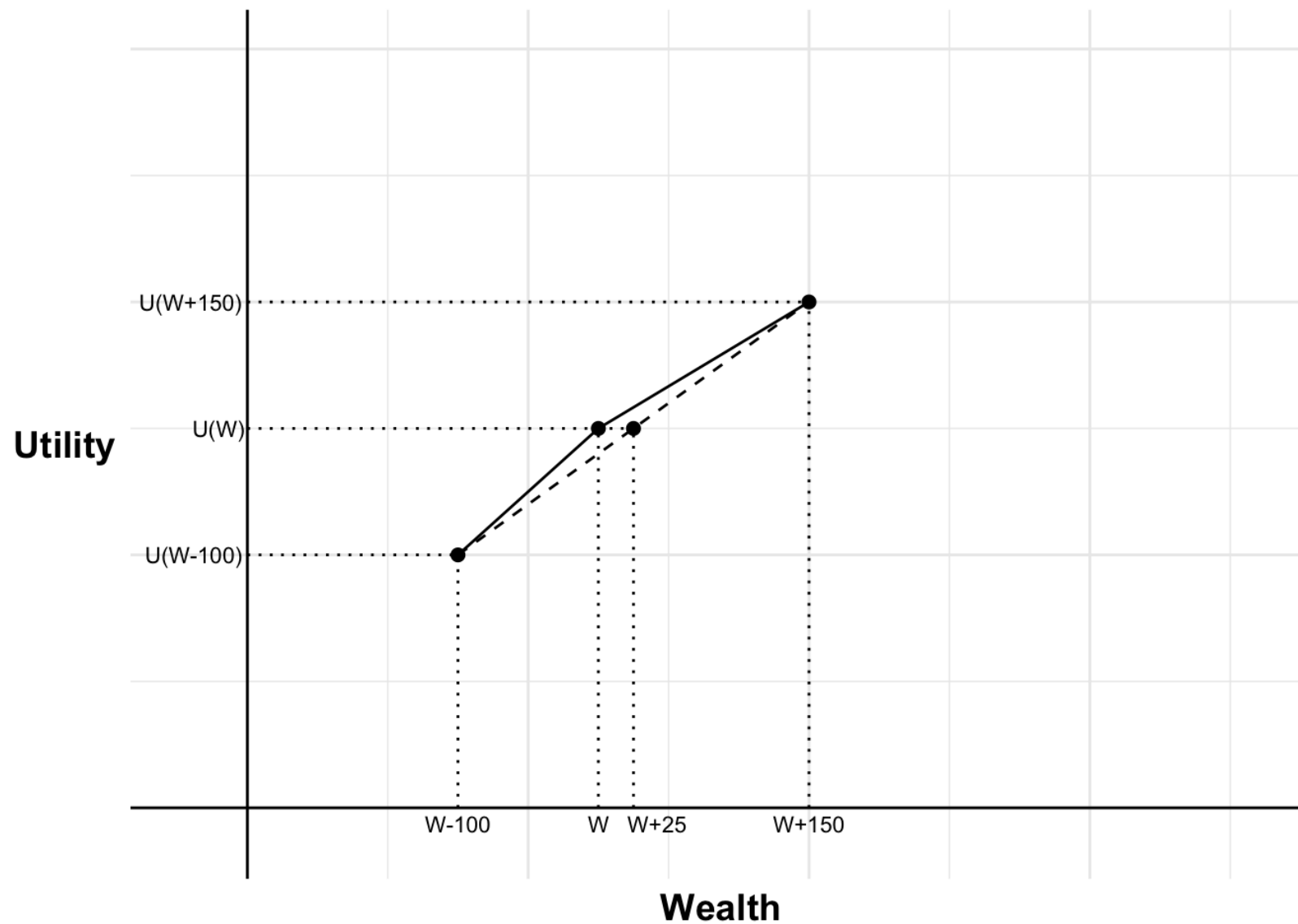
Absurd rates of risk aversion



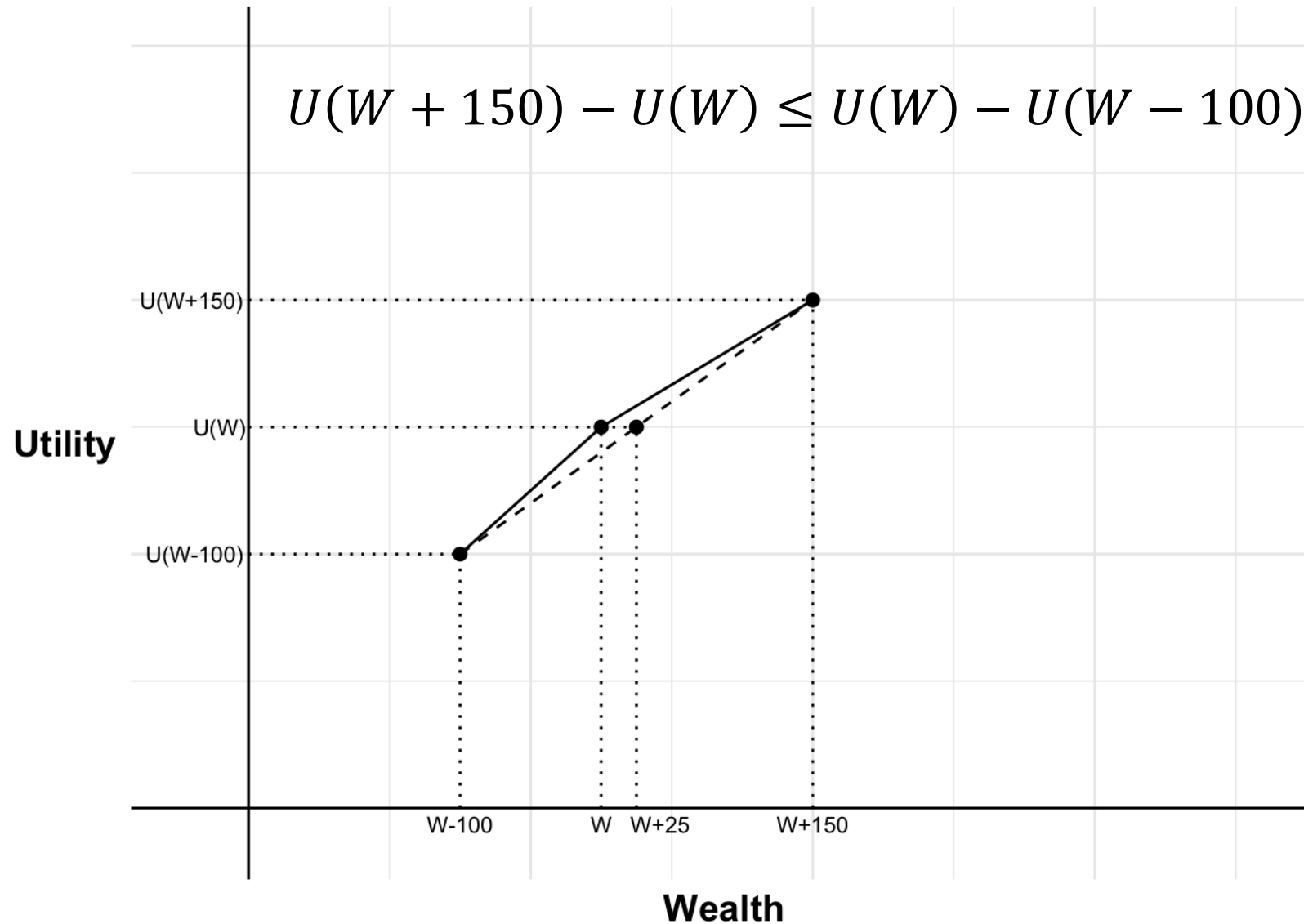
Absurd rates of risk aversion



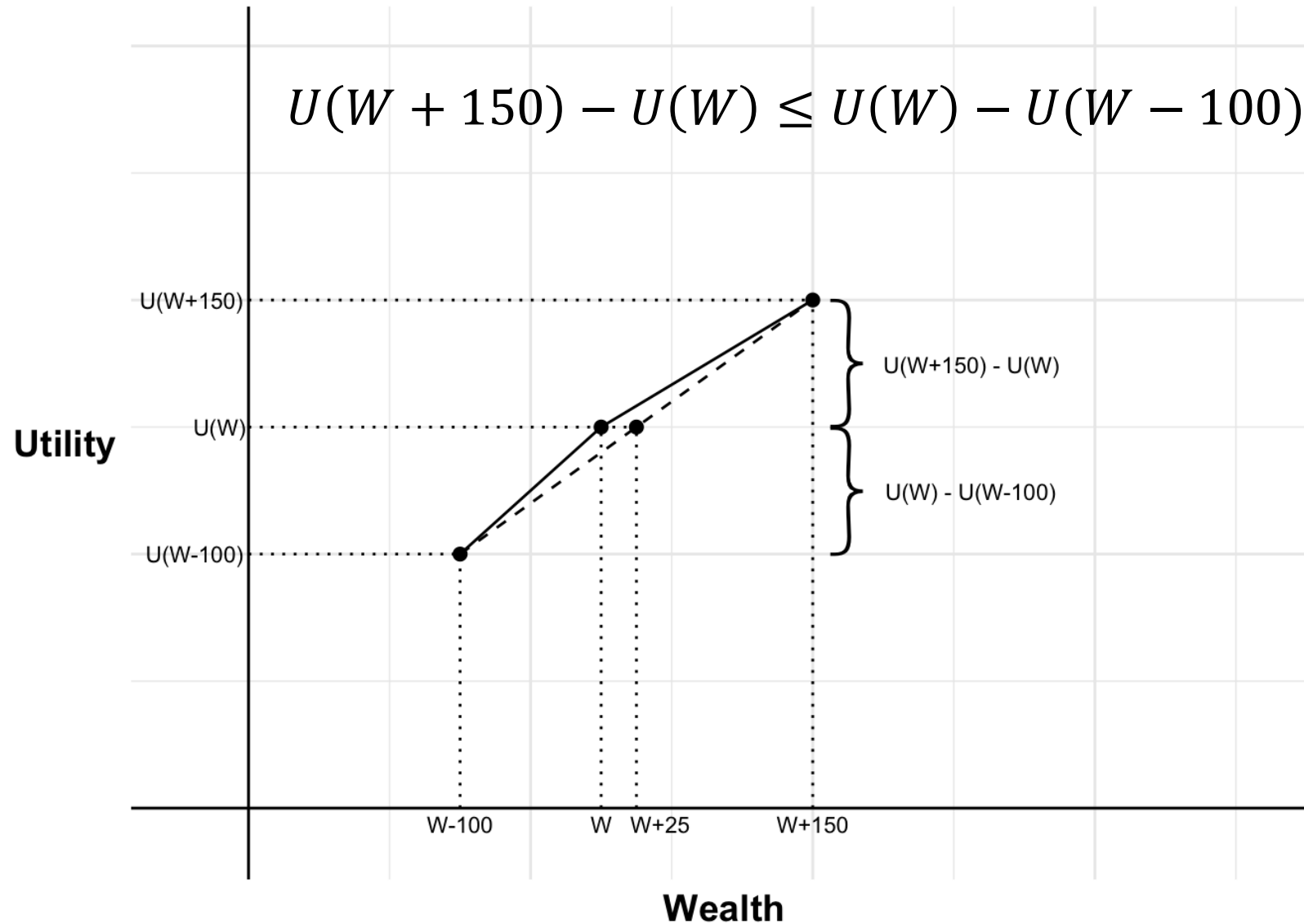
Absurd rates of risk aversion



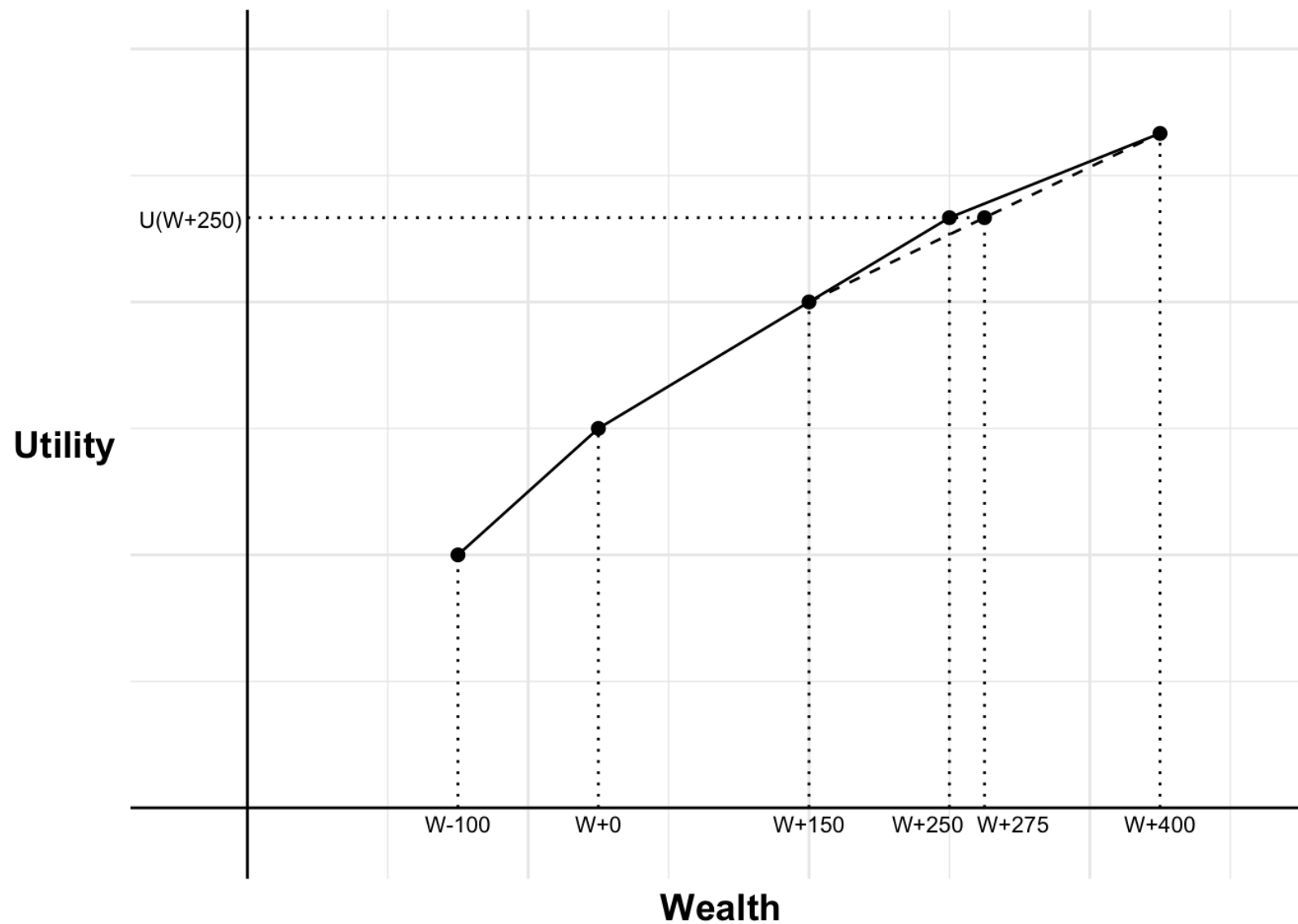
Absurd rates of risk aversion



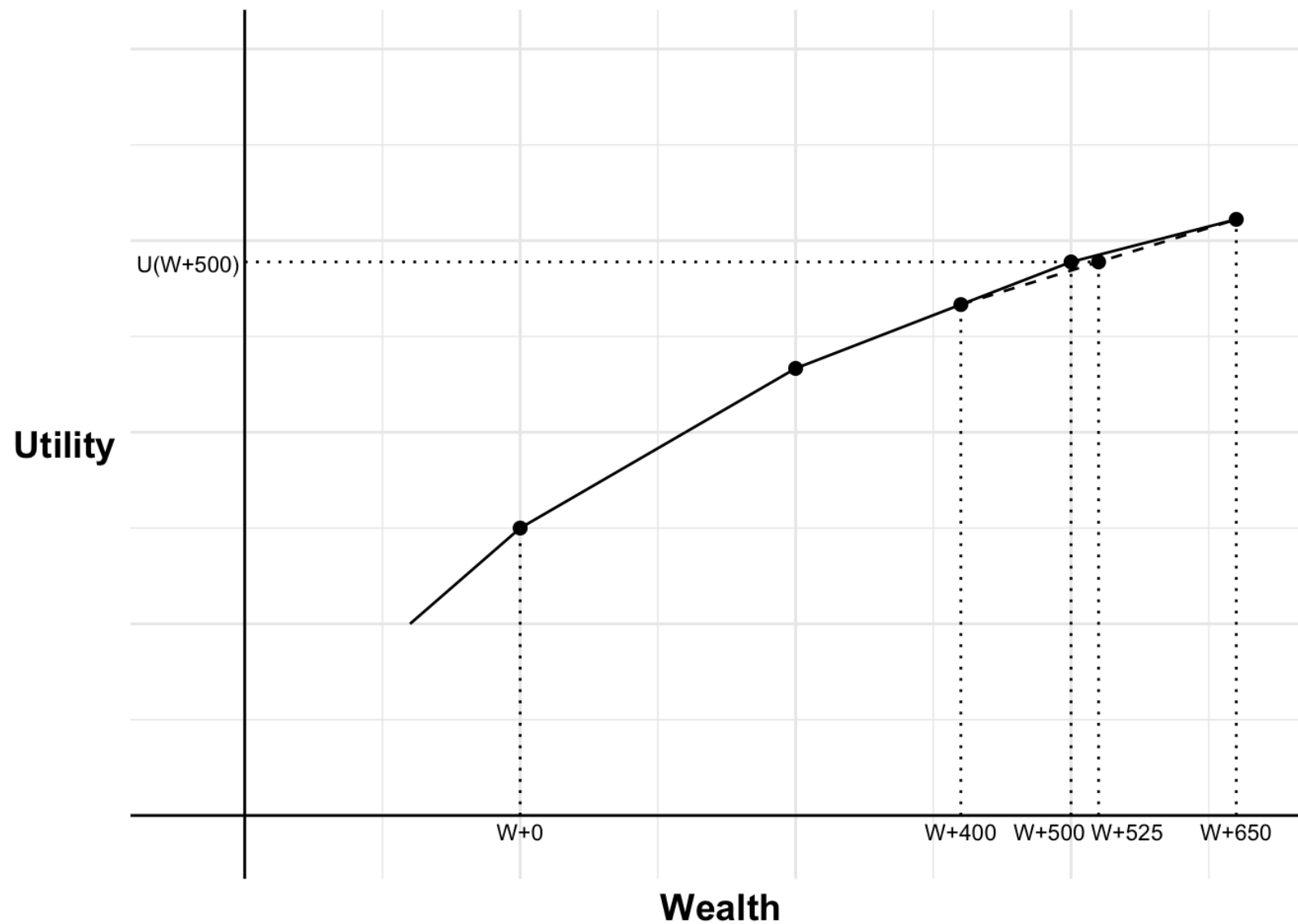
Absurd rates of risk aversion



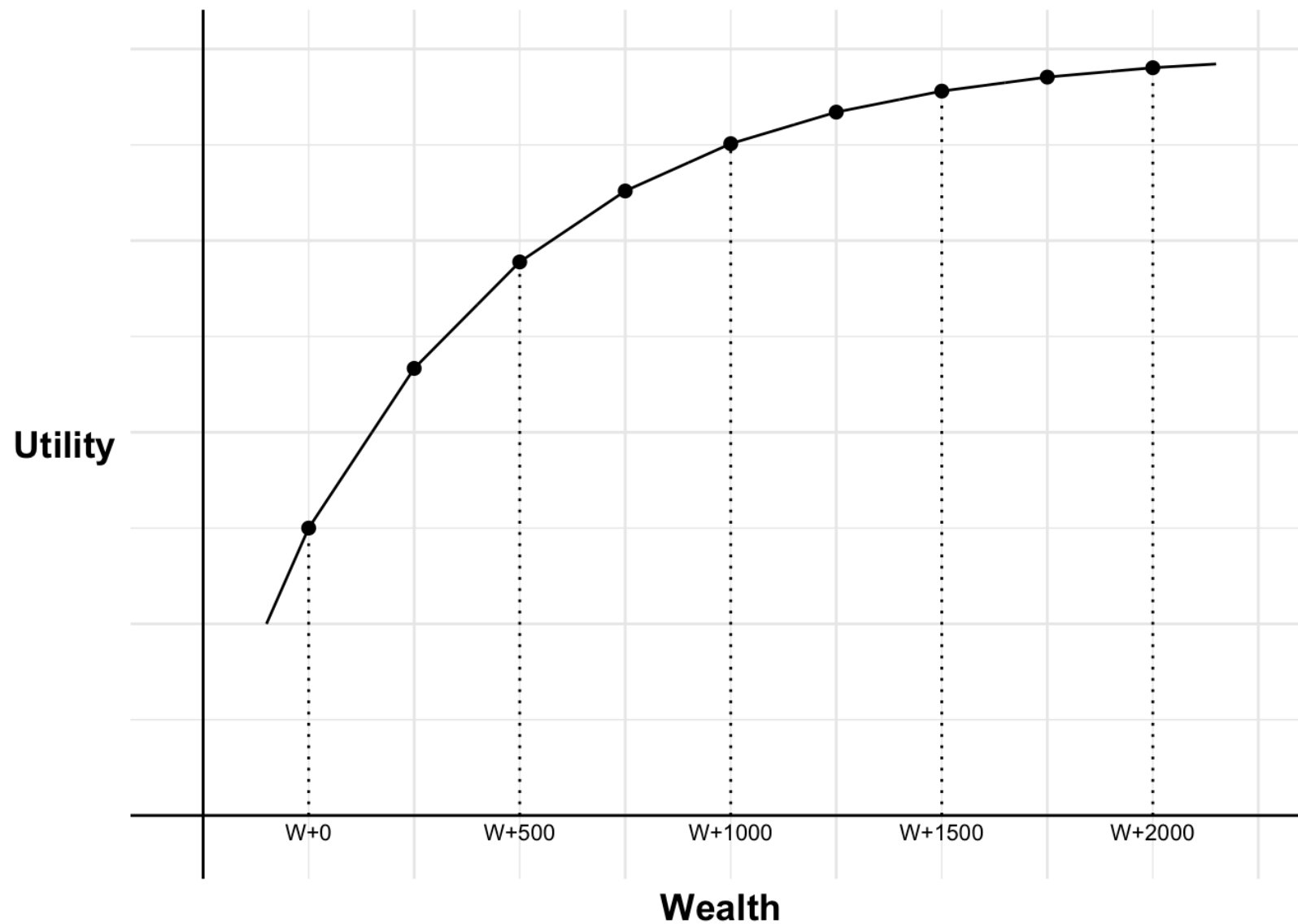
Absurd rates of risk aversion



Absurd rates of risk aversion



Absurd rates of risk aversion



Absurd rates of risk aversion

