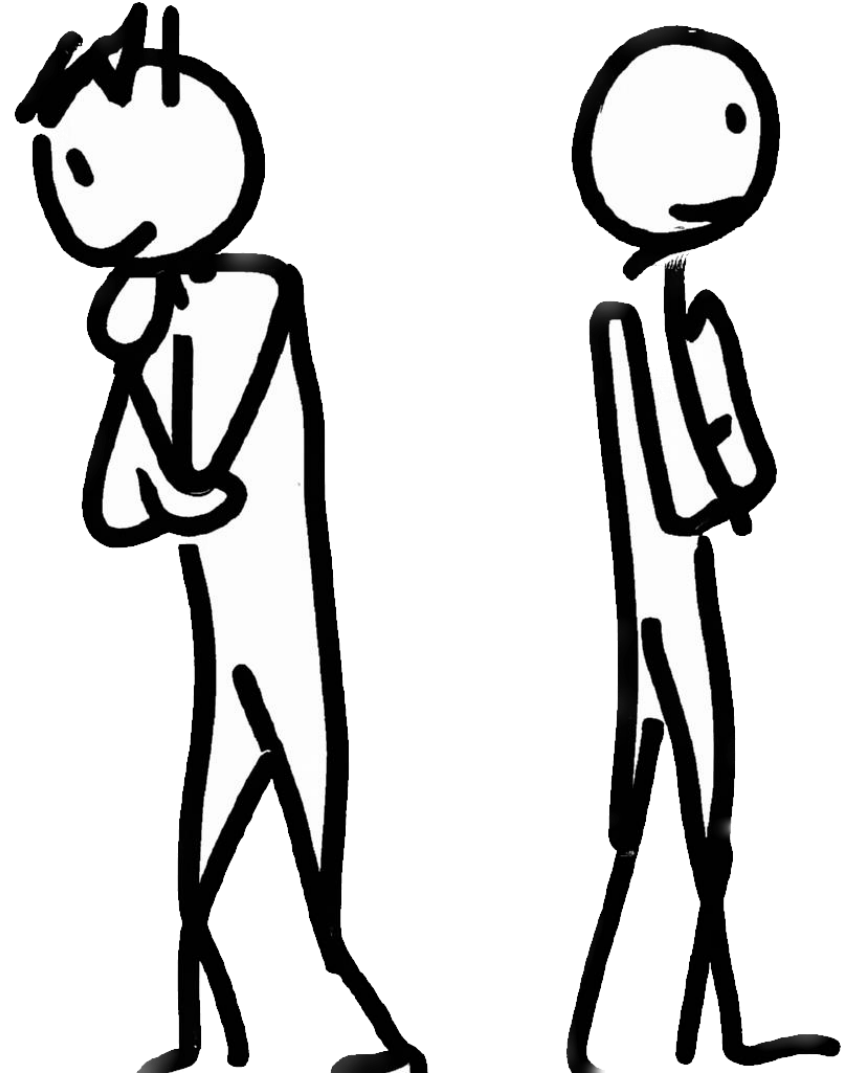


Independence

Notes on Behavioural Economics

Jason Collins



orange \succ apple

50% chance of orange + 50% chance of a pear

\succ

50% chance of apple + 50% chance of a pear

orange \succ apple



50% chance of orange + 50% chance of a pear



50% chance of apple + 50% chance of a pear

Independence

If $x \succcurlyeq y$ and p the probability that a third option z is present. Then:

$$pz + (1 - p)x \succcurlyeq pz + (1 - p)y$$

orange \succ apple



$p \times \text{pear} + (1 - p) \times \text{orange}$



$p \times \text{pear} + (1 - p) \times \text{apple}$



$$p \times \text{pear} + (1 - p) \times \text{orange} \succ p \times \text{pear} + (1 - p) \times \text{apple}$$

