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The α -MEU model: a comment. (English) Zbl 1247.91061

J. Econ. Theory 146, No. 4, 1684-1698 (2011).

Summary: *P. Ghirardato, F. Maccheroni and M. Marinacci* [J. Econ. Theory 118, No. 2, 133–173 (2004; Zbl 1112.91021)] proposed a method for distinguishing between perceived ambiguity and the decision-maker's reaction to it. They study a general class of preferences which they refer to as invariant biseparable. This class includes CEU and MEU. They axiomatize a subclass of α -MEU preferences. If attention is restricted to finite state spaces, we show that any α -MEU preference relation, satisfies GMM's axioms if and only if $\alpha = 0$ or 1 , that is, the preferences must be either maxmin or maxmax. We show by example that these axioms may be satisfied when the state space is $[0, 1]$.

MSC:

91B16 Utility theory

91B06 Decision theory

Cited in 15 Documents

Keywords:

ambiguity; multiple priors; invariant biseparable; Clarke derivative; ambiguity-preference

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