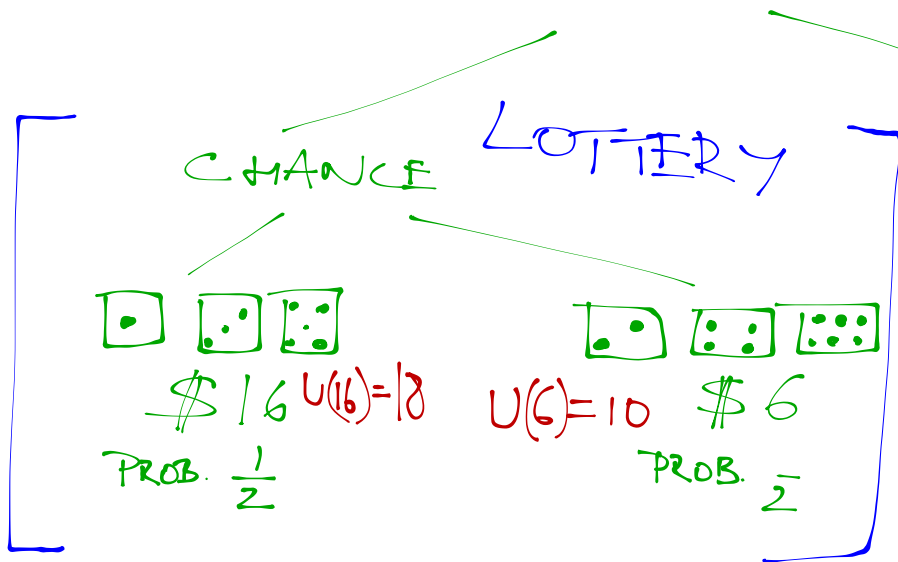


DECISION MAKING UNDER UNCERTAINTY

EXPECTED UTILITY THEORY I.

YOU CHOOSE



$\$10$
 $U(10) = 15$

U(OUTCOME): A NUMBER THAT DESCRIBES HOW YOU FEEL ABOUT THE OUTCOME

$$\frac{1}{2} \times 18 + \frac{1}{2} \times 10 = 14 < 15$$