The Math Colloquium
Department of Mathematics
San José State University

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How Could The Expected Utility Model
Be So Wrong?

December 7, 2011, MH320

Abstract: The standard model of rational choice under uncertainty assumes the von-Neumanm-Morgenstern expected utility model. Individuals purchase insurance because they are risk averse. Unfortunately, risk averse individuals will not choose to gamble unless offered favorable odds. Kahneman and Tversky (cognitive psychologists) and many others have provided experimental evidence that individuals routinely violate the expected utility model. Individuals may be risk averse when faced with risky gains but appear risk seeking when faced with losses. I will present some experiments to see which model does the best job of explaining individual choice.

Background: Students should have a basic knowledge of algebra and statistics in terms of probability and expected value operations.

About the speaker: Tom Means is Professor of Economics at SJSU and Director for the Council of Economic Education at SJSU. He teaches seminars in graduate microeconomics and econometrics. He earned a Ph.D from UCLA in Economics.

Snacks in MH331B at 2:30 pm
Talk starts at 3 pm

For more information, see our full schedule at:

`http://www.math.sjsu.edu/~hsu/colloq/`