Test of Hypotheses About Certainty Equivalents and Joint Receipt of Gambles
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The present experiment was designed to test whether PEST-based certainty equivalents (CEs) and joint receipt (JR) of gambles exhibit certain properties such as monotonicity of JR, additivity of JR over gambles and money, segregation of a common consequence, additive segregation when JR is replaced by +, monotonicity of convolution, identity of convolution and JR, and several other derivative properties. Subjects were partitioned into gamblers and non-gamblers by their performance on screening gambles. Assuming that CE is order preserving, monotonicity of JR and additivity of JR over gambles were both rejected whereas additivity of JR over money, segregation, and additive segregation were all sustained for gamblers and non-gamblers. For gamblers, convolution is not monotonic but is equivalent to JR and segregation and additive segregation are not equivalent. For non-gamblers, convolution is monotonic but is not equivalent to JR and segregation and additive segregation are equivalent.