

us OLS – Which is the best to tility functions?

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es von Neumann and Morgenstern utility functions comparing the
um entropy (GME) with OLS, using data obtained by utility
s. Thus, it provides a comparison of the performance of the two
d data small sample setup. The results confirm the ones obtained
through Monte Carlo simulations. Overall the results suggest that
isting alternative to OLS in the estimation of utility functions when
y utility elicitation methods.

alized maximum entropy; Maximum entropy principle; von
rgenstern utility; Utility elicitation

m: C13; C14; C49; D81

on

we explore the potentialities of the generalized maximum
tion of von Neumann and Morgenstern utility functions using
ormation about the agent's preferences and his risk tolerance.
of this study is to compare the results of generalized maximum
tion with traditional estimation methods in order to investigate
lvantages of the generalized maximum entropy approach.

core assumptions of decision theory is that a decision maker
viour can be rationalized in terms of the underlying preference
implication of this assumption is that the preference ordering
ed from the decision maker observed behaviour. Although
avour revealed preference data in the estimation of utility
re are many circumstances where such data is not available.
er to estimate the decision maker utility function, one often
utility elicitation methods based on surveys or experiments.
use of utility elicitation methods presents several difficulties
nt implications for the decision analyst. First, different methods