The Resolution of Uncertainty in the Value and Probability Domains

Kathleen Ngangoué, Eungik Lee, and Andrew Schotter

Abstract :
We compare preferences for temporal resolution when uncertainty is resolved over a probability rather than a value. In various theoretical frameworks–e.g., Kreps and Porteus (1978)–, preferences over gradual versus one-shot resolution do not depend on whether values or probabilities define the main object of uncertainty. In our experiment, however, most subjects resolved uncertain values gradually but uncertain probabilities all at once–both in the gain and loss frames. To explain this discrepancy we propose an explanation based on what we call "process utility".