

Testing for Juxtaposition and Event-Splitting Effects

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Abstract

Regret theory predicts that choices over prospects will be systematically influenced by the juxtaposition of outcomes in the payoff matrix. Experiments have found apparent juxtaposition effects of this kind. However, these experiments have not controlled for "event-splitting effects" (ESEs), by which the subjective weight given to an outcome depends on the number of states of the world in which it occurs, as well as on their combined probability. An experiment is reported which tests independently for juxtaposition effects and ESEs. The results suggest that the apparent juxtaposition effects found in previous experiments are largely due to ESEs.