Figure 20–1

Risk Aversion

Utility, U

u($25) = 15
u($100) = 10
E(U) = 7.5

Wealth, $

0 56.25 100 112.5 225

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Figure 20-3

Risk Loving

Utility, U

E(U) = 25.3

U($255) = 50.63

U($100) = 10

0 100 112.5 225

Wealth, $
Figure 20-4

Both Risk Averse and Risk Loving

Utility, $U$

Wealth, $w$

$W_1$, $(W_1+W_3)/2$, $W_3 = (W_1+W_5)/2$, $(W_3+W_5)/2$, $W_5$

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