

# INTRODUCTION TO THE SPECIAL ISSUE OF *ECONOMICS AND PHILOSOPHY* ON AMBIGUITY AVERSION

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The paradigm for modelling decision-making under uncertainty has undoubtedly been the theory of Expected Utility, which was first developed by von Neumann and Morgenstern (1944) and later extended by Savage (1954) to the case of subjective uncertainty. The inadequacy of the theory of Subjective Expected Utility (SEU) as a descriptive theory was soon pointed out in experiments, most famously by Allais (1953) and Ellsberg (1961). The observed departures from SEU noticed by Allais and Ellsberg became known as “paradoxes”. The Ellsberg paradox gave rise, several years later, to a new literature on decision-making under ambiguity. The theoretical side of this literature was pioneered by Schmeidler (1989). This literature views the departures from SEU in situations similar to those discussed by Ellsberg as rational responses to ambiguity. The rationality is “recovered” by relaxing Savage’s Sure-Thing principle and adding an ambiguity-aversion postulate. Thus the ambiguity-aversion literature takes a normative point of view and does consider Ellsberg-type choices as behavioural “anomalies”.

Although the theoretical literature on ambiguity aversion has been growing at a fast pace over the past 20 years, not enough attention has been paid to the philosophical, conceptual and methodological aspects of the issues surrounding the notion of ambiguity. Recently Al Najjar and Weinstein wrote a critical assessment of this literature by asking whether

the various models of ambiguity aversion that have been proposed can indeed be interpreted as capturing a consistent notion of rationality. The Editors of *Economics and Philosophy* thought that this paper would not only be a good fit for the journal but would also provide a stimulus for a fruitful debate. Following the same format that was used for the special issue on Neuroeconomics (*Economics and Philosophy*, Vol. 24, Number 3, November 2008) the Editors invited a number of prominent contributors to the field to either write a comment on the critique put forward by Al Najjar and Weinstein or to write a short paper outlining their views on the conceptual issue that arise in the context of ambiguity. Although, unfortunately, only a subset of the people who were invited to contribute eventually delivered, we are very pleased to have assembled a collection of high-quality and thought-provoking contributions by distinguished experts in decision-making under uncertainty. Their comments were then forwarded to Al Najjar and Weinstein with an invitation to write a Rejoinder.

The Editors of *Economics and Philosophy* are very pleased with the final product of this special issue and hope that this collection will stimulate further fruitful debate among economists and philosophers on the important topic of decision-making under ambiguity.

#### REFERENCES

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