Hypothesis-driven

Consider lottery T which yields x_1 with p_1 and $-x_2$ with p_2

Utility / Decision theory	**How to calculate**	**Transformation in**	**Number of parameters**
Expected value/Risk Neutrality (RN)	**RN(T) =** $p_1 * x_1 - p_2 * x_2$	No transformation	0
Expected Utility Theory (EUT)	**EUT(T) =** $p_1 * u(x_1) - p_2 * u(x_2)$ Example: $u(x_i) = \frac{{x_i}^{1-r}}{1-r}$, where i={1,2}	Payoffs	1 (risk aversion parameter r)
Cumulative Prospect Theory (CPT)	**CPT(T) =** $w_+(p_1) * u(x_1) - w_-(p_2)u(x_2)$ **Example:** $u(x) = \begin{cases} x^{\alpha} if\ x \geq 0 \\ \lambda\,(-x)^{\beta}\ if\ x < 0 \end{cases}$ $w_+(p) = \frac{p^{\gamma}}{(p^{\gamma}+(1-p)^{\gamma})^{1/\gamma}}$ **and** $w_-(p) = \frac{p^{\delta}}{(p^{\delta}+(1-p)^{\delta})^{1/\delta}}$	Probabilities	4 or 5 (alpha, beta, gamma, delta and lambda)