

## DECISION UNDER RISK: PARADIGM SHIFT EXCLUDING THE ALLAIS PARADOX

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Since 1953, many scientists and scholars dealing with the issues of making economic decisions under risk have been seeking a solution to the Allais paradox. The research process related to resolving this paradox resulted in the development of a new science – behavioral economics and gave birth to the “prospect theory” developed by D. Kahneman and A. Tversky, as well as R. Thaler’s “nudge theory”.

The author of this article proposes a fundamentally new approach to making economic decisions under risk, based on the provisions of the “G-theory”. When making economic decisions under risk, firstly, it is proposed to refuse the “utility paradigm”, which dominates economic theory and practice and to transit to a new “paradigm of four basic types of decisions”. Such a transition leads to the fact that when choosing the best of economic decisions, they should be compared not by the decision value, but by the value of the economic interest to implement each of the decisions. Secondly, it is proposed to take into account the reversibility of two alternative basic types of decisions, in a situation where the subject does not control an object, namely: the decisions “to start to control an object” and “to continue not to control the object”. The value of the interest to implement an economic decision is proposed to be measured as a difference between the values of these two alternative decisions. Thirdly, it is proposed to refuse the concept of identifying risk with probability, which dominates economic theory and practice, and to switch to the consideration of economic risk which is differentiated between added and subtracted conventionally-cash flows. One should take into account that for added conventionally-cash flows, the consideration of probability simultaneously takes into account the risk of decreasing these flows as well, and for subtracted conventionally-cash flows, the consideration of probability leads to a decrease in their absolute value. Since for subtracted conventionally-cash flows, the risk lies in not the decrease in their absolute value, but in the increase in it, an additional special consideration of the risk is required.

The approach proposed by the author allows us to use a new way of implementing rational decision-making procedures under risk and, most importantly, excludes the existence of the Allais paradox.

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