Types of Risk Preference

Think investment, or the lottery. **Risk aversion** means every dollar is less valuable than the previous. **Risk neutrality** means the player is indifferent between gambling and receiving expected profit with certainty. **Risk seeking** means every dollar is more valuable than the previous.

Von Neumann-Morgenstern Utility

The **expected utility** of a lottery is the weighted average of preferences of possible outcomes (when the players have "rational preferences." It's invariant under affine transformations.