

# Testing the separation of tastes and beliefs

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## Abstract

A large body of empirical evidence shows violations of expected utility. In response, decision theory and behavioral economics have provided a variety of non-expected utility theories. However, the existing evidence does not clearly discriminate among such theories. Most of the well-known non-expected utility models have focused on the relaxation of the independence axiom, while maintaining the other expected utility axioms, most notably the assumption of separation of tastes and beliefs. This class of models includes Probabilistic Sophisticated preferences, Maxmin Expected Utility, all Rank Dependent Utility models such as Choquet Expected Utility and Prospect Theory, and many others. In this paper we derive and implement a non-parametric procedure for testing the separation of tastes and beliefs. In the data we find little support for this restriction. The observed behavior can be accommodated by other non-expected utility models, such as Smooth Ambiguity and Source Dependent Expected Utility.