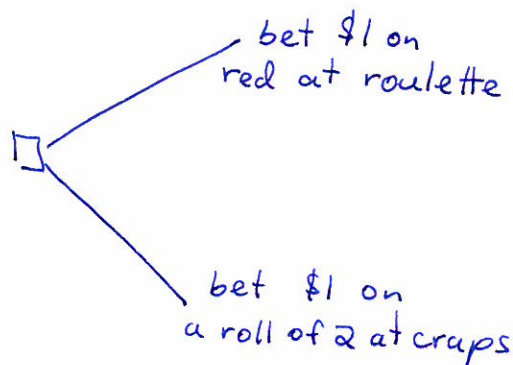


# Choosing the Best Alternative

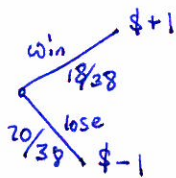
- 1) List the possible actions
- 2) Calculate the  $E[NPV]$  of each
- 3) Choose action with greatest  $E[NPV]$   
 $E[NPV]$  for the problem  
 $= E[NPV \text{ of best action}]$

## Example Choice of 2 Gambles



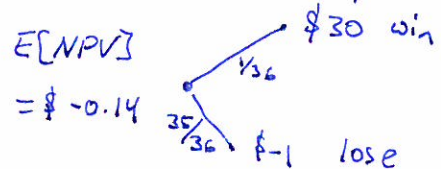
calculating  $E[NPV]$  of each action

bet \$1 on red



$$E[NPV] = \$-0.05$$

bet \$1 on 2 at craps



$$E[NPV]$$

$$= \$-0.14$$



best action = roulette gamble.