

**An Illustrated Guide to Context Effects**

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### **Abstract**

Three context effects pertaining to stochastic discrete choice have attracted a lot of attention in Psychology, Economics and Marketing: the similarity effect, the compromise effect and the asymmetric dominance effect. Despite this attention, the existing literature is rife with conflicting definitions and misconceptions. We provide theorems relating different variants of each of the three context effects, and theorems relating the context effects to conditions on discrete choice probabilities, such as random utility, regularity, the constant ratio rule, and simple scalability, that may or may not hold for any given discrete choice model. We show how context effects at the individual level may or may not aggregate to context effects at the population level. Importantly, we offer this work as a guide for researchers to sharpen empirical tests and aid future development of choice models.

*Keywords:* context effects, similarity effect, compromise effect, asymmetric dominance, random utility, regularity, common ratio rule, simple scalability

## An Illustrated Guide to Context Effects

### Introduction

Across the many disciplines that study decision making and choice, the term *context effect* broadly refers to how preferences between alternatives can systematically change when (typically non-preferred) alternatives are added to the choice set under consideration. Such behavior can call into question standard models of choice and suggest new directions for theoretic development. This article focuses on three well studied context effects relevant to the study of stochastic discrete choice: the similarity, compromise, and asymmetric dominance effects.

There is a vast empirical literature documenting various combinations of context effects across many different choice settings, including: consumer choice (e.g., Berkowitsch et al., 2014; Doyle et al., 1999), policy decisions (Herne, 1997), intertemporal choice (Gluth et al., 2017), and perceptual stimuli (Trueblood, Brown, Heathcote, & Busemeyer, 2013). Context effects have also been observed in the animal kingdom. For example, researchers have observed monkeys (Parrish et al., 2015), felines (Scarpi, 2011), and insects (Latty & Trueblood, 2020) exhibiting phantom decoy effects (where the decoy alternative is not available for selection).

Despite this interest, the empirical literature on context effects is largely disconnected and somewhat contradictory, with some context effects failing to be observed, or, in some cases, reversing their direction altogether (e.g., Spektor et al., 2018). Spektor et al. (2021) provide a comprehensive overview and synthesis of this contradictory empirical literature. To briefly summarize, they argue that whether or not a particular context effect manifests may depend upon three broad categories referring to the nature of the choice environment.

1. *The spatial arrangement of the choice stimuli.* As one example, Cataldo and Cohen (2018) demonstrated that the robustness and direction of some context effects depend

on whether the choice stimuli is presented in tabular formats that encourage either by-alternative or by-attribute comparisons.

2. *Whether the stimuli are abstract or concrete in nature.* There is good evidence that context effects can manifest when the choice alternatives are defined via concrete, clearly understood and easily comparable attributes (e.g., numerical monetary values). However, the evidence for context effects becomes murkier when the choice alternatives become more abstract in nature (e.g., rectangles of varying sizes; Spektor et al., 2018).
3. *How much time is available for individuals to make choices and how that time is controlled.* Generally speaking, context effects are more robust when decision makers have more time to deliberate (Spektor et al., 2021). Cataldo and Cohen (2021) provide a comprehensive analysis of time constraints on context effects (also see Molloy et al., 2019).

Given the many variables that impact the presence (or absences) of context effects, Spektor et al. (2021) conclude that a deeper understanding of how choice alternatives are cognitively represented is an important direction for future theory development.

Trueblood (2022) presents a theoretic synthesis of major competing theories of multi-alternative, multi-attribute choice that can account for various combinations of context effects. By focusing on dynamic theories of choice, Trueblood concludes that some of the disparate empirical observations in the study of context effects can be explained by changes in attention and attentional processes. Relatedly, there is growing work examining context effects from a neural perspective, focusing on value-based cognitive systems (Busemeyer et al., 2019; Gluth et al., 2020; Gluth et al., 2018).

In addition to the issues raised above, we argue that the literature on context effects is further complicated by inconsistencies in how context effects are defined, tested, and ultimately related to common decision models, such as random utility. To this end, we

develop, under a universal notation, all relevant context effect definitions and known relations to a set of fundamental choice properties, which includes regularity, the common-ratio rule, and simple scalability. This section of the article can be considered as a precise tutorial review for readers interested in studying context effects. We also provide new theoretic results on how these context effects relate to one another and fundamental choice properties. We also explore how context effects at the individual level can sometimes aggregate to context effects at the population level. While we are certainly not the first to examine individual-population relationships among context effects, see Liew et al. (2016) and Katsimpokis et al. (2022), our results bring additional precision about which definitions of various context effects will aggregate. Altogether, we provide a comprehensive guide for investigating context effects, one that may help bring further clarity to the study of context effects.

### The Seminal Papers

**Similarity Effect.** The similarity effect is commonly attributed to Tversky (1972b), who describes a “similarity hypothesis” relating to a choice environment in which choice objects  $x$  and  $y$  are similar and object  $z$  is dissimilar to both  $x$  and  $y$ . The hypothesis is that the addition of  $y$  to choice set  $\{x, z\}$  will reduce the share of  $x$  of the total probability of choosing  $x$  or  $z$  and symmetrically, that the addition of  $x$  to  $\{y, z\}$  will reduce the share of  $y$  of the total probability of choosing  $y$  or  $z$ .

Tversky (1972b) and Tversky (1972a) motivate the similarity hypothesis by providing several theoretical counterexamples to simple scalability, and by extension, to the constant ratio rule (we provide definitions of these properties in the next section). Tversky (1972a) (page 292) claims that the similarity hypothesis is “incorporated into the [EBA] model”. The two papers make it clear that the similarity hypothesis is a prediction about individual and not population choice. The evidence of this is three-fold: first, the theoretical counterexamples in these papers pertain to individual choice; second, EBA

models, introduced in Tversky (1972b) to accommodate similarity effects, is described as a random process giving rise to individual choice probabilities; third, the empirical results in Tversky (1972b) are based on observations of the repeated choices of individuals.

**Compromise Effect.** Simonson (1989) and Tversky and Simonson (1993) each introduce a version of the compromise effect; both effects pertain to a situation where an object  $y$  is “between” two other objects,  $x$  and  $z$ . Simonson (1989) describes a strong version of the effect, where adding  $x$  to the choice set  $\{y, z\}$  increases the probability of choosing  $y$ , and adding  $z$  to the choice set  $\{x, y\}$  also increases the probability of choosing  $y$ . Tversky and Simonson (1993) describe a weak version, where adding  $x$  to  $\{y, z\}$  increases the *relative* probability of  $y$  over  $z$  *and* where adding  $z$  to the choice set  $\{x, y\}$  increases the *relative* probability of  $y$  over  $x$ . Tversky and Simonson (1993) interpret probabilities exclusively as population probabilities. However, the theoretical result they provide to argue that the compromise effect gives indirect evidence against random preference applies equally well to individual and population random preferences: they show that a condition on random preferences (the ranking condition, defined below) rules out the compromise effect. The plausibility of the ranking condition is subjective, and one may regard its plausibility differently for individual and population random preferences, but the theoretical result applies regardless.

**Asymmetric Dominance Effect.** Huber et al. (1982) introduce the asymmetric dominance effect. They consider the addition of a third object, called a decoy, to a binary choice set in which neither object “dominates” the other. The decoy is dominated by one object in the pair but not the other. They claim that adding the decoy “*can* [emphasis added] increase the probability of choosing the item that dominates it.” When it does, the asymmetric dominance effect is said to occur. Their discussion of choice probabilities does not distinguish between individual and population choice probabilities, and the empirical evidence provided in the paper comes from both within- and between-subject experimental designs. There is a tighter connection between individual and population effects for the

asymmetric dominance effect than for the other two effects: aggregation properties of the former are much more solid than those of the latter, as we will see in Section Aggregation of context effects.

Huber et al. (1982) describe an “attraction” effect, similar to the asymmetric dominance effect, but where the decoy is not necessarily dominated by its “target”. Many authors have since treated the terms “attraction effect” and “asymmetric dominance effect” as synonymous and requiring dominance, including the original authors of both papers, in Huber et al. (2014). We adopt the latter term, to avoid any ambiguity.

Already, three interpretive issues arise in these descriptions: the distinction between population and individual RCSs, the distinction between a weak and a strong version of an effect, and the question of whether a claim about a “context effect” is a prediction that a phenomenon *will* occur or a claim that a phenomenon *can* occur. In this paper, we break down the descriptions of context effects into three components and relate them to various choice properties. We now define our notation and provide definitions of relevant choice properties.

## Notation

We use the following notation throughout the paper. Let  $U = \{x_1, \dots, x_n\}$  be a finite universe or master set of choice objects. When faced with a non-empty choice set  $A \subseteq U$ , a decision maker (DM) chooses a single object from  $A$ . The probability that the DM chooses  $x \in A$  is denoted  $P_A(x)$ . A *random choice structure* (RCS) on a master set  $U$  is the complete specification of the  $P_A(x)$ ,  $x \in A \subseteq U$ , and is denoted  $P$ . For distinct  $x, y \in U$ , we use the shorthand notation  $p_{xy}$  to mean  $P_{\{x,y\}}(x)$ . We denote by  $\Delta(U)$  the set of all RCSs on  $U$ ; it is a Cartesian product of unit simplices of various dimensions.

Table 1 gives an example of an RCS on  $U = \{x, y, z\}$  by specifying a complete list of choice probabilities on the non-empty subsets of  $U$ . The singleton choice probabilities in the first three rows are, of course, degenerate, but it is useful to include them in the definition

of an RCS so that conditions like those in equation (1) below have concise expressions.

Figure 1 gives a graphical representation of the same RCS using a Barycentric coordinate system. Each point in the triangle  $xyz$  is a unique convex combination  $\lambda_x x + \lambda_y y + \lambda_z z$  of the vertices  $x$ ,  $y$  and  $z$ , where  $\lambda_x, \lambda_y, \lambda_z \geq 0$  and  $\lambda_x + \lambda_y + \lambda_z = 1$ . The vector  $(\lambda_x, \lambda_y, \lambda_z)$  gives the Barycentric coordinates of the point. Thus, the vertices  $x$ ,  $y$  and  $z$  have Barycentric coordinates  $(1, 0, 0)$ ,  $(0, 1, 0)$  and  $(0, 0, 1)$ , respectively. Since  $xyz$  is equilateral, the distances of the point  $(\lambda_x, \lambda_y, \lambda_z)$  to the sides  $yz$ ,  $xz$  and  $xy$  of the triangle are fractions  $\lambda_x$ ,  $\lambda_y$  and  $\lambda_z$ , respectively, of the height of the triangle.

We will be representing probability vectors on doubleton and tripleton choice sets as points in Barycentric coordinates. Here, for example, the ternary probability vector  $P_U(\cdot)$  in the final row of Table 1 is represented by a solid dot in the interior of the triangle in Figure 1, with Barycentric coordinates  $(P_U(x), P_U(y), P_U(z)) = (0.6, 0.1, 0.3)$ . The lengths of the solid light grey line segments joining the point  $(P_U(x), P_U(y), P_U(z))$  to the sides  $yz$ ,  $xz$  and  $xy$  of triangle  $xyz$  are fractions 0.6, 0.1 and 0.3, respectively, of the height of  $xyz$ , as can easily be seen using the light grey dashed grid lines.

We represent the binary choice probabilities in rows four to six of Table 1 as points on the boundary of triangle  $xyz$  in Figure 1. The hollow dot on the left side of the triangle gives the choice probabilities  $p_{xy} = 0.7$  and  $p_{yx} = 1 - p_{xy} = 0.3$ . It is the convex combination  $p_{xy}x + p_{yx}y$  of vertices  $x$  and  $y$ , and has Barycentric coordinates  $(p_{xy}, p_{yx}, 0)$ . Similarly, the hollow dot on the right side gives the choice probabilities  $p_{yz}$  and  $p_{zy}$ ; and the hollow dot on the base gives  $p_{xz}$  and  $p_{zx}$ . We adopt the convention that binary probabilities are indicated by hollow dots and ternary probability vectors by solid dots, so we can tell the difference between a binary probability and a ternary probability vector that happens to be on the boundary of the triangle.

We distinguish between two different interpretations of a RCS. An *individual* RCS governs the choices of a single individual; a *population* RCS, those of a random sample of individuals from a population. Note that if each individual in a population is governed by



$A$	$P_A(x)$	$P_A(y)$	$P_A(z)$
$\{x\}$	1.0		
$\{y\}$		1.0	
$\{z\}$			1.0
$\{x, y\}$	0.7	0.3	
$\{y, z\}$		0.6	0.4
$\{x, z\}$	0.8		0.2
$\{x, y, z\}$	0.6	0.1	0.3

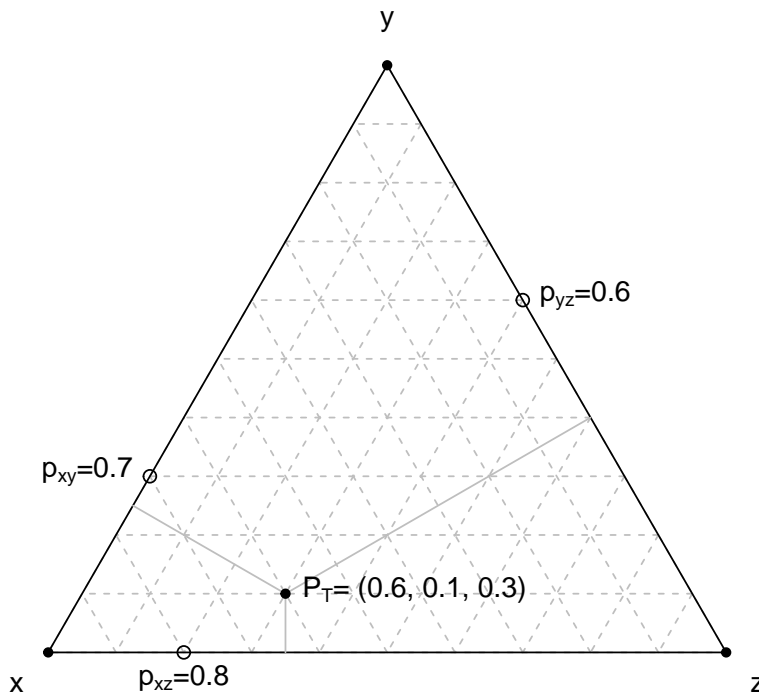
**Table 1**

*A random choice structure on  $U = \{x, y, z\}$ .*

an individual RCS, which may be degenerate, then the population RCS will be a convex combination of individual RCSs: each population choice distribution  $P_A(\cdot)$ ,  $A \subseteq U$ , is a mixture—with random sampling from the population being the common mixing distribution across choice sets  $A$ —of the various individual  $P_A(\cdot)$ .

### Models for discrete choice and their properties

We will use the term *discrete choice model* to refer to any model specifying an RCS, directly or indirectly. Examples of indirect specifications include random utility models such as multinomial probit models as well as sequential elimination models such as Elimination by Aspects (EBA) models. In these examples, choice probabilities are not specified directly but are derived from the specification of a parametric random choice process and cannot be expressed as functions of the model parameters in closed form. Often in the literature, the term “discrete choice model” refers to the specification (direct or indirect) of an RCS up to a vector of parameters; that is, the specification of a set of models, with each model specifying an RCS. To make a clear distinction, we will call such a specification a *class* of discrete choice models. So for example, while many might refer to



**Figure 1**

*A random choice structure on  $U = \{x, y, z\}$  as points in a Barycentric coordinate system.*

“the logit model” as “a discrete choice model”, we will refer to logit as a class of models.

Over the last several decades, many conditions on choice probabilities, including various kinds of stochastic transitivity, regularity and simple scalability have been studied (see Fishburn, 1999, for a thorough survey). For a given discrete choice model and a given condition, the model either satisfies the condition or it doesn’t. When we say that a class of discrete choice models satisfies some condition, we mean that every model in the class satisfies that condition.

We will emphasize conditions that are targets of criticism (for being unrealistic) in the context effects literature. Thus, our discussion is organized around two properties: (i) regularity, a property of all random utility models that is inconsistent with the asymmetric dominance effect, and (ii) the constant ratio rule, a property of multinomial logit models that is inconsistent with the similarity and compromise effects. We discuss regularity and related properties in Section Regularity and random utility immediately below, then the

constant ratio rule and related properties in Section The constant ratio rule and simple scalability.

### ***Regularity and random utility***

Most classes of discrete choice models in wide use in Economics and Marketing (and many, but fewer, in Psychology) satisfy a condition known as random utility. We will define this condition, but we first need to define a random utility model.

**Definition 1** *A random utility model (RUM) for a master set  $U$  is a probability space  $(\Omega, \mathcal{F}, \mu)$ , where  $\Omega$  is a sample space,  $\mathcal{F}$  is an event space and  $\mu$  is a probability measure on  $\mathcal{F}$ ; and a measurable function  $u: U \times \Omega \rightarrow \mathbb{R}$ , where  $\mu$  is non-coincident, meaning that for all distinct  $x, y \in U$ ,*

$$\mu(\{\omega \in \Omega: u(x, \omega) = u(y, \omega)\}) = 0.$$

We call  $u$  a utility function; its maximization over the available options governs choice in state  $\omega \in \Omega$ . Non-coincidence rules out ties. Henceforth, we will denote a RUM by the utility function  $u$ , suppressing notation for  $(\Omega, \mathcal{F}, \mu)$ . A RUM  $u$  for  $U$  induces the RCS  $P^{(u)}$  through the construction

$$P_A^{(u)}(x) = \mu\left(\{\omega \in \Omega: u(x, \omega) = \max_{y \in A} u(y, \omega)\}\right), \quad x \in A \subseteq U.$$

We say that a RCS  $P$  satisfies random utility if it can be induced by a random utility model. This is a restrictive condition; Block and Marschak (1960) show that the following set of linear inequalities is necessary for random utility: for all non-empty  $A \subseteq U$  and all  $x \in A$ ,

$$\sum_{B: A \subseteq B \subseteq U} (-1)^{|B \setminus A|} P_B(x) \geq 0. \quad (1)$$

Provided  $P$  satisfies random utility, the left hand side of the inequality is, for given  $x$  and  $A$ , the probability of  $x$  having greater utility than each of the other elements of  $A$  and less utility than each of the elements of  $U \setminus A$ . Falmagne (1978) shows that this set of

inequalities is also sufficient. McCausland and Marley (2013) summarize what is known about how random utility relates to other conditions on choice probabilities, and illustrate how strong a condition it is, in terms of its low prior probability as an event in  $\Delta(U)$ , for a large class of prior distributions on  $\Delta(U)$ .

Examples of random utility models include multinomial logit, multinomial probit, mixed multinomial logit, and generalized extreme value models. In these examples and others, the specification of a discrete choice model proceeds by describing a random utility model and then computing—often numerically—the induced choice probabilities. However, there are other discrete choice models that are more naturally specified in some other way, but which satisfy random utility nonetheless; one can check the conditions in (1) without actually constructing a random utility model. For example, Tversky (1972a) shows that the class of Elimination By Aspects (EBA) models, introduced by Tversky (1972b), satisfies random utility, although EBA choice probabilities are usually derived as the result of a random sequential choice process.

Because the term “context effect” is open to interpretation, it will be useful to carefully examine the way in which random utility models—and by extension, their induced choice probabilities—are context invariant. In the definition of a random utility model, the utility distribution does not depend on the choice set offered. This is one kind of context invariance, and it is what gives content to the random utility condition. It is important to understand, however, that this does not imply that a so-called context effect is inconsistent with random utility. The similarity and compromise effects, as defined by Tversky (1972b) and Tversky and Simonson (1993), respectively, are both consistent with random utility, as we show below. In fact, we have just seen that EBA models, introduced by Tversky (1972b) specifically to account for the similarity effect, satisfy random utility.

Other classes of models generate choice probabilities in an explicitly context dependant manner. An example where individual models may or may not satisfy random utility, depending on the universe of choice objects, is the random regret minimization

model of Chorus (2010). In simulations, not reported here but using R code available at [10.6084/m9.figshare.21791186](https://doi.org/10.6084/m9.figshare.21791186), we found regions of a variable object’s attribute space for which choice probabilities satisfy random utility and other regions for which they do not. Davis-Stober et al. (2017) provide a set of models which do or do not satisfy random utility depending upon their parametric specifications.

A weaker condition than random utility is *regularity*, the condition that adding objects to a choice set cannot increase choice probabilities of the objects already in the set.

**Definition 2** *A RCS  $P$  satisfies regularity if for all  $x \in A \subset B \subseteq U$ ,*

$$P_A(x) \geq P_B(x). \quad (2)$$

The regularity condition is relevant because it is both a consequence of random utility and (transparently) inconsistent with the original (i.e. the binary-ternary version, as defined below) asymmetric dominance effect.

Much of the evidence against random utility comes from the literature on the asymmetric dominance effect, where inequalities of the form (2), for particular choice sets  $A$  and  $B$ , are tested and often rejected: Rieskamp et al. (2006) survey empirical violations of five “consistency principles” in economics, regularity is the only one of these principles that is necessary for random utility, and the asymmetric dominance effect is the only empirical evidence they document against regularity.

There is also some literature on other kinds of tests, either direct tests of random utility or tests of other necessary conditions. Regenwetter et al. (2011) test a condition on binary choice probabilities called the triangle inequality, a condition that is itself implied by regularity. Using experimental binary choice data for 18 participants, they find strong evidence against the triangle inequality for one participant (also see Cavagnaro & Davis-Stober, 2014). McCausland and Marley (2014) and McCausland et al. (2020) jointly test the full set of necessary and sufficient conditions for random utility in (1). Using a subset of the data in Regenwetter et al. (2011), McCausland and Marley (2014) find

moderate evidence against random utility for the same participant and mild evidence against for another participant. Using experimental choice data featuring choice from all binary and larger subsets of a master set McCausland et al. (2020) find strong evidence against random utility for four participants out of 141.

In some cases, it will be convenient to speak of random preference models, which are very similar to random utility models for finite master sets. In a random preference model, a random strict preference (or ranking) replaces the random vector of utility values in a random utility model. A random preference model induces choice probabilities when a decision maker chooses the highest ranked object (rather than the object with the highest utility) from a given choice set. For a finite master set  $U$ , the discrete choice models that can be induced by a random preference are the same ones that can be induced by a random utility model (see Marley & Regenwetter, 2018). Analogous to the definition of a random utility model and the construction of a RCS from one, we have the following:

**Definition 3** A random preference model (RPM) on a master set  $U$  is a probability space  $(R, 2^R, \pi)$  where  $R$  is the set of strict linear orders on  $U$ .

We use the notation  $\succ \in R$  to denote an outcome, a strict linear order on  $U$ . Thus, for example,  $\pi(\{\succ \in R: x \succ y\}) = \sum_{\{\succ \in R: x \succ y\}} \pi(\{\succ\})$  is the probability that the fixed object  $x \in U$  is ranked above (i.e., is preferred to) the fixed object  $y \in U$ ,  $y \neq x$ .

A random preference model with random binary relation  $\succ$  induces the RCS  $P^{(\succ)}$  through the construction

$$P_A^{(\succ)}(x) = \pi(\{\succ \in R: x \succ y \text{ for all } y \in A \setminus \{x\}\}), \quad x \in A \subseteq U.$$

### ***The constant ratio rule and simple scalability***

A second pair of conditions targeted by the context effects literature is the constant ratio rule and simple scalability. The constant ratio rule underlies the multinomial logit model, a model that has been widely used since the onset of the context effects literature

and is inconsistent with all three context effects, as they are defined in the seminal context effect articles outlined in Section The Seminal Papers below.

**Definition 4 (Tversky, 1972b)**  $P$  satisfies the constant ratio rule if for all  $x, y \in A$ ,

$$\frac{p_{xy}}{p_{yx}} = \frac{P_A(x)}{P_A(y)},$$

whenever the denominators do not vanish.

The term *independence of irrelevant alternatives* (or IIA) is commonly used, especially in economics, to mean the same thing, although the term has other meanings: for example, Ray (1973) documents three different conditions with the IIA name and clarifies the relationships among them. To avoid ambiguity or confusion, we will use the term constant ratio rule.

If, in addition to the constant ratio rule, we also require all choice probabilities to be positive, we get the class of multinomial logit models. The constant ratio rule is a consequence of Luce's choice axiom, introduced in Luce (1959), but because this axiom does not rule out choice probabilities equal to zero, there are models satisfying Luce's choice axiom that are not multinomial logit models.

Many theoretical and empirical problems with the constant ratio rule were raised before the seminal papers in the context effect literature. Some of the theoretical arguments and empirical evidence against the constant ratio rule also apply to a weaker condition, called simple scalability.

**Definition 5 (Krantz, 1964)**  $P$  satisfies simple scalability if there exists a function  $u: U \rightarrow \mathbb{R}$  and functions  $F_2: \mathbb{R}^2 \rightarrow \mathbb{R}$ ,  $F_3: \mathbb{R}^3 \rightarrow \mathbb{R}$ ,  $\dots$ ,  $F_{|U|}: \mathbb{R}^{|U|} \rightarrow \mathbb{R}$  such that for all  $A = \{x, y, \dots, z\} \subseteq U$ ,

$$P_A(x) = F_{|A|}(u(x), u(y), \dots, u(z)),$$

where each  $F_i$  is increasing in its first argument, and strictly so if  $P_A(x) < 1$ ; and decreasing in its other arguments, and strictly so if  $P_A(x) > 0$ .

Tversky (1972b) shows that simple scalability is equivalent to the following condition:

**Definition 6 (Tversky, 1972b)** *P satisfies order independence if for all  $A, B \subseteq U$ ,  $x, y \in A - B$  and  $z \in B$*

$$P_A(x) \geq P_A(y) \Leftrightarrow P_{B \cup \{x\}}(z) \leq P_{B \cup \{y\}}(z)$$

*provided the choice probabilities on the two sides of either inequality are not both 0 or 1.*

The order independence condition can be seen as an ordinal version of the constant ratio rule. Since it is a condition on choice probabilities, it allows for statistical testing of simple scalability and the exploration of the logical relationship between simple scalability and various context effects.

One of the first theoretical counterexamples<sup>1</sup> to simple scalability was provided by Debreu (1960) in a review of Luce (1959). Another well-known counterexample is the Bicycle/Pony example provided in Luce and Suppes (1965), attributed there to L.J. Savage. The Red bus/Blue bus example of McFadden (1974) appears shortly after Tversky (1972b), but it is a particularly well known one.

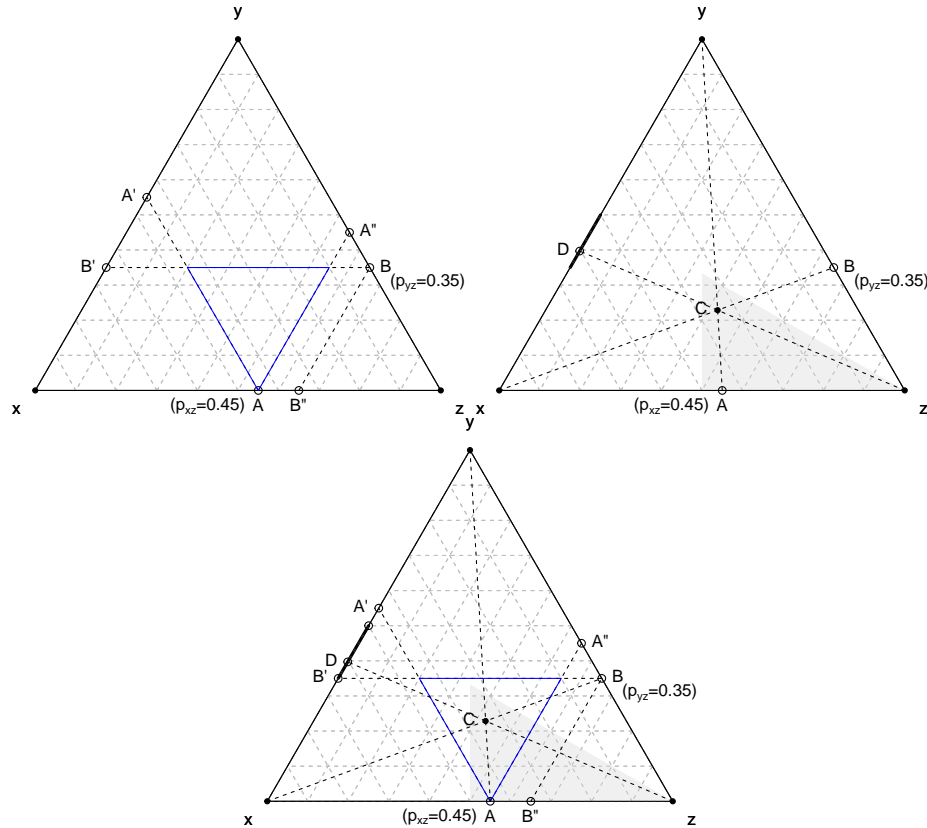
### ***Illustrations***

Figure 2 illustrates how regularity, the constant ratio rule, and simple scalability constrain random choice structures. Again, we consider RCSs on the set  $U = \{x, y, z\}$ . We use three Barycentric coordinate systems to plot choice probability vectors and sets of them. In all three, we fix the binary probabilities  $p_{xz} = 0.45$  (point  $A$ ) and  $p_{yz} = 0.35$  (point  $B$ ). To summarize, the top left plot shows the values of  $P_U(\cdot)$  that are consistent with the fixed  $p_{xz}$  and  $p_{yz}$ , under regularity; the top right plot shows the values of  $p_{xy}$  and  $P_U(\cdot)$  that are consistent with the fixed  $p_{xz}$  and  $p_{yz}$  under each of the constant ratio rule

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<sup>1</sup> A *theoretical counterexample* to a given condition is a specification of choice probabilities, claimed to be plausible, that is inconsistent with the condition.





**Figure 2**

*Regularity, the constant ratio rule and simple scalability*

and simple scalability. The bottom plot illustrates all the relevant regions in a single plot, illustrating the logical independence of regularity and simple scalability.

We now explain the figure in more detail. First, suppose that regularity holds. Then  $p_{xz}$  is an upper bound for  $P_U(x)$ , and its complementary probability  $p_{zx} = 1 - p_{xz}$  is an upper bound for  $P_U(z)$ . The set of ternary probability vectors  $P_U(\cdot)$  satisfying  $P_U(x) \leq p_{xz}$  and  $P_U(z) \leq p_{zx}$  is the parallelogram  $A'AA''y$  in the top left and bottom plots. Likewise,  $p_{yz}$  and  $p_{zy}$  give upper bounds on  $P_U(y)$  and  $P_U(z)$ , and the set of ternary probability vectors satisfying  $P_U(y) \leq p_{yz}$  and  $P_U(z) \leq p_{zy}$  is the parallelogram  $B'BB''x$ . The intersection of the two parallelograms, the inverted equilateral triangle in solid lines, is the boundary of the set of ternary probability vectors  $P_U(\cdot)$  consistent with  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$  under regularity.

We turn now to the top right and bottom plots of Figure 2. With  $p_{xz}$  and  $p_{yz}$  still fixed, we now relax regularity and suppose that the constant ratio rule holds. Then given  $p_{xz} = 0.45$ , the ternary probability  $P_U(\cdot)$  must fall on the line segment  $Ay$ , the locus of ternary probabilities satisfying  $P_U(x)/P_U(z) = p_{xz}/p_{zx} = 0.45/0.55 = \frac{9}{11}$ ; given  $p_{yz} = 0.35$ , it must fall on  $Bx$ , the locus of ternary probabilities satisfying  $P_U(y)/P_U(z) = p_{yz}/p_{zy} = 0.35/0.65 = \frac{7}{13}$ . The intersection of these two line segments, the point  $C$ , is the only value of the ternary choice probability vector that is consistent with both  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$  under the constant ratio rule. The extension of line segment  $Cz$  intersects side  $xy$  at  $D$ , which gives the only value of the binary probability  $p_{xy}$  consistent with  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$  under the constant ratio rule.

Finally, we relax the constant ratio rule and suppose that simple scalability holds. Here a range of possible values of  $P_U(\cdot)$  and  $p_{xy}$  are possible. Rieskamp et al. (2006) show that simple scalability implies strong stochastic transitivity (SST) of binary choice probabilities, the condition that for all distinct  $a, b, c \in U$ , if  $p_{ab} \geq \frac{1}{2}$  and  $p_{bc} \geq \frac{1}{2}$ , then  $p_{ac} \geq \max(p_{ab}, p_{bc})$ . For the given values of  $p_{xz}$  and  $p_{yz}$ , SST constrains  $p_{xy}$  to be in the interval  $[1/2, \min(1 - p_{xz}, 1 - p_{yz})]$ , shown in the top right and bottom plots as a thick line segment in  $xy$ . The interior of the gray shaded region gives the set of ternary choice probabilities consistent with simple scalability, provided that  $p_{xy}$  is selected to satisfy SST: the set satisfying  $P_U(z) > P_U(x) > P_U(y)$ .

### Structure, preconditions and effect regions

In this section we introduce some terminology that will allow us to decompose the description of a context effect into three components:

1. the structure of the universe  $U$  of choice objects that allows us to talk about similarity, between-ness or dominance;
2. a precondition on choice objects that can be asserted or verified before observing choice probabilities, such as two objects being similar to each other and each

dissimilar to a third object; and

3. the effect region, a subset of  $\Delta(U)$  defining a restriction on choice probabilities associated with the precondition.

To illustrate, we will look more closely at the similarity hypothesis, as described by Tversky (1972b), which will serve as an example. In defining the similarity hypothesis, Tversky (1972b) describes a tripleton set  $T \equiv \{x, y, z\}$  of choice objects where  $x$  and  $y$  are “similar” and  $z$  is “dissimilar” to each of  $x$  and  $y$ . We will take  $T \subseteq U$ , with  $T$  not necessarily the same set as the universe  $U$ . He defines the “similarity hypothesis” as follows, on page 292. Mathematical notation and equation numbers have been modified to be consistent with the current paper.

... the similarity hypothesis ... predicts that the addition of alternative  $y$  to the set  $\{x, z\}$  will reduce  $P_T(x)$  proportionally more than  $P_T(z)$ . That is, the similar alternative,  $x$ , will lose relatively more than the dissimilar alternative,  $z$ , by the addition of  $y$ . Likewise,  $y$  is expected to lose relatively more than  $z$  by the introduction of  $x$ . ... the similarity hypothesis implies

$$p_{xz} > \frac{P_T(x)}{P_T(x) + P_T(z)} \quad (3)$$

and

$$p_{yz} > \frac{P_T(y)}{P_T(y) + P_T(z)}. \quad (4)$$

In Section Definitions of context effects, we develop notation allowing us to express the similarity hypothesis above as follows: let  $\sim$  be a similarity relation on  $U$  and suppose that  $T = \{x, y, z\} \subseteq U$  is such that  $x \sim y$ ,  $x \not\sim z$  and  $y \not\sim z$ ; then  $P \in S_{xy}$ . Here the structure of the universe  $U$  is the similarity relation  $\sim$ , the precondition is the triple  $T = \{x, y, z\} \subseteq U$  satisfying  $x \sim y$ ,  $x \not\sim z$  and  $y \not\sim z$ ; and the effect region  $S_{xy}$  is the subset of  $\Delta(U)$  where both—note the “and” between the two inequalities—inequalities (3) and (4) hold.

## An overview of the issues

We will argue for more precision in the descriptions of context effects, along the following dimensions.

1. *Whether an effect pertains to individual or population probabilities.* We have seen that in the seminal papers, the similarity effect applies to individual choice probabilities; the compromise effect, to population choice probabilities; and the asymmetric dominance effect, to both. In the subsequent literature, the similarity and compromise effects have been more flexibly defined. Compounding problems of imprecision on this point is the fact that not all effects aggregate: we will show below that it is possible for the RCS of each individual in a population to satisfy a context effect and not the RCS for the population, and vice versa.
2. *Whether an effect is weak, such as the compromise effect described in Tversky and Simonson (1993) or strong, such as the compromise effect described in Simonson (1989) and the asymmetric dominance effect described in Huber et al. (1982).* We will see that the weak and strong effects have very different implications about whether choice probabilities satisfy random utility. Also, the aggregation properties of the weak and strong effects are very different, and the degree of empirical evidence supporting the weak effect is much more solid than that supporting the strong effect.
3. *In the case of the similarity and compromise effects, whether the claimed effect is one- or two-sided.* Tversky (1972b) makes the prediction that both (3) and (4) will occur when the precondition is satisfied, and we will call this a two-sided effect. However, much of the evidence presented in that paper provides more support for one-sided effects, in which one of those equations holds but not the other. In the subsequent literature, both kinds of effects are reported and the distinction between the two is not always made explicit.

4. *Whether the claim one makes about a context effect is that it is predicted to occur in a given context, as in the case of the seminal papers on the similarity and compromise effects, or that the context effect is possible, as in the seminal paper on the asymmetric dominance effect.* The former is a much stronger claim, although the latter is still important, as the effect may be inconsistent with properties of commonly used discrete choice models.
5. *Whether the precondition is asserted, as the similarity relation in the seminal similarity effect paper, or can be derived from a more basic and objective criterion, such as the between-ness relation in Tversky and Simonson (1993), one of the seminal compromise effects paper.*
6. *Whether preconditions and effect regions are binary-ternary or ternary-ternary.* The context effects introduced in the seminal papers are binary-ternary, as they relate choice probabilities on a ternary choice set and those on one or more binary subsets. Since then, articles have tested ternary-ternary versions of these context effects, which relate choice probabilities on two ternary choice sets having two elements in common. While the ternary-ternary and binary-ternary versions of an effect are related, they are distinct effects.

Without clarity in these dimensions, claims that theories “capture” a context effect, claims about evidence for context effects, and claims about what this evidence implies about conditions such as regularity, random utility, the constant ratio rule, and simple scalability are hopelessly vague.

## Outline

The paper is organized as follows. We introduce definitions for various versions of the three context effects in Section Definitions of context effects. We survey some known theoretical results and identify some open theoretical questions in Section Theoretical

Results and conclude in Section Conclusions.

### Definitions of context effects

In this section we elaborate on the terminology set forth in the introduction that allow us to decompose the description of a context effect into three components: a structure on the master set (such as a similarity relation  $\sim$ ), preconditions (such as  $x \sim y$ ,  $x \not\sim z$ ,  $y \not\sim z$ ) and an effect region (such as that defined by equations (3) and (4)). We first describe similarity, compromise and asymmetric dominance effects where choice probabilities on binary and ternary choice sets are compared. The seminal papers all describe effects of this kind, and we will call them binary-ternary (or 2-3) effects. Then we will describe ternary-ternary (or 3-3) variants of the three effects where choice probabilities on two different ternary sets are compared.

#### The structure of the master set

Each of the three context effects is described in terms of a relation defined on the master set of objects. As we have seen, for the similarity effect, there is a binary similarity relation  $\sim$ . For the compromise effect, there is a ternary between-ness relation  $\cdot | \cdot | \cdot$ , where  $x|y|z$  means that  $y$  is “between”  $x$  and  $z$ . For the asymmetric dominance effect, there is a dominance relation, which we will denote  $\triangleright$ . We will assume that the similarity condition is symmetric, that the between-ness relation is symmetric in the sense that  $x|y|z \Leftrightarrow z|y|x$ , and that the dominance relation is transitive and irreflexive. This allows us to specify relations more succinctly, as the assumptions “fill in” the missing information. We consider the assumptions reasonable and are not aware of examples where they do not hold.

In some cases, the relation is asserted, with an appeal to the reader’s intuition. Most people would accept the characterization, in Tversky (1972b), of two different recordings of the same Beethoven symphony as being similar to each other and a recording of a Debussy suite as being dissimilar to each of the Beethoven recordings. McCausland et al. (2021) describe an experiment where participants are asked to choose the event they

“think is most likely to happen in the next twenty years”. They propose that the disjunction of two events (“Either Scotland or Quebec become independent countries”) dominates any one of the two events (“Scotland becomes an independent country”), which dominate the conjunction of the two events (“Scotland and Quebec become independent countries.”) based on coherent probability judgements.

Often, however, the similarity, between-ness and dominance relations are derived relations, objectively defined in terms of a deeper structure on the master set. Very often, this deeper structure consists of an *attribute* space. Choice objects are identified with vectors, points in a Euclidean space of finite dimension  $I$ . Each dimension is an attribute (such as price) of a single indivisible choice object and the value of the corresponding element of the vector is an attribute level (such as 10 dollars).

Two relations defined on attribute spaces are relevant to context effects, vector dominance and between-ness, defined below. We use the term vector dominance, rather than dominance, to emphasize that it is an objective property of objects, rather than a property of preferences. However, it is worth noting that this kind of dominance is usually considered relevant only when some kind of monotonicity of preferences is anticipated: in most cases, if  $x$  vector dominates  $y$ ,  $x$  is clearly the better choice and we expect people to choose  $x$  over  $y$  when  $\{x, y\}$  is presented. We can always transform attributes like price, where we might expect preferences to be monotonically decreasing, so that preferences are increasing in the transformed attribute levels.

**Definition 7** Let  $x = (x_1, \dots, x_I)$  and  $y = (y_1, \dots, y_I)$  be two objects in an attribute space. We say that  $x = (x_1, \dots, x_I)$  vector dominates  $(y_1, \dots, y_I)$ , which we denote  $x \succcurlyeq y$ , if  $x_i \geq y_i$  for all  $i \in \{1, \dots, I\}$  and  $x \neq y$ .

**Definition 8 (Tversky and Simonson, 1993)** Let  $x$ ,  $y$  and  $z$  be three objects in an attribute space. We say that  $y$  is between  $x$  and  $z$ , denoted  $x|y|z$ , if neither  $x$  nor  $z$  vector dominates the other, and for all  $i \in \{1, \dots, I\}$ , either  $x_i \leq y_i \leq z_i$  or  $z_i \leq y_i \leq x_i$ .

Note the distinction between the dominance relation  $\triangleright$ , which does not rely on any attribute structure and in some cases may be primitive, and the vector dominance relation  $\succeq$ , which is an objectively defined relation on attribute spaces. In many cases, the  $\triangleright$  relation is derived from the  $\succeq$  relation. We are not aware of any cases in which the compromise effect is based on a between-ness relation other than that just defined, so there is no need to make a similar distinction here.

We discuss below the relationship among the three context effects, and so we emphasize here that a master set can be endowed with more than one of the three relations. For example, we might specify both a similarity relation  $\sim$  and a between-ness relation  $\cdot | \cdot | \cdot$  on the same master set. If we have a tripton set  $\{x, y, z\} \subseteq U$  where  $x \sim y$ ,  $x \not\sim z$ ,  $y \not\sim z$  and  $x|y|z$ , we simultaneously satisfy the preconditions for the similarity and compromise effects.

## Preconditions

The precondition for the similarity effect is the existence of a set  $T = \{x, y, z\} \subseteq U$  satisfying  $x \sim y$ ,  $x \not\sim z$  and  $y \not\sim z$ ; that for the compromise effect is the existence of a set  $T = \{x, y, z\} \subseteq U$  such that  $x|y|z$ ; that for the asymmetric dominance effect is the existence of a set  $T = \{x, y, z\} \subseteq U$  satisfying  $x \triangleright y$ ,  $z \not\triangleright y$  and  $x \not\triangleright z$ .

Preconditions of different context effects can be satisfied simultaneously, and in some reasonable cases, associated effects may be inconsistent with each other. For example, an object  $y$  may be between objects  $x$  and  $z$  (i.e.  $x|y|z$ ) but closer to  $x$  than  $y$ . Suppose we posit  $x \sim y$ ,  $x \not\sim z$ ,  $y \not\sim z$ . One of the inequalities that the weak similarity effect associates with this precondition is  $P_T(z)/P_T(y) > p_{zy}/p_{yz}$ . However, one of the inequalities the weak compromise effect associates with the precondition  $x|y|z$  is  $P_T(z)/P_T(y) < p_{zy}/p_{yz}$ . Clearly the two inequalities cannot both be satisfied. For another example, consider a triple  $T = \{x, y, z\}$  satisfying  $x \triangleright y$ ,  $z \not\triangleright y$ ,  $x \not\triangleright z$ . The asymmetric dominance effect associates this precondition with the inequality  $P_T(x) > p_{xz}$ . If  $x$  is close to  $y$ , we might reasonably



posit  $x \sim y$ ,  $x \not\sim z$ ,  $y \not\sim z$ . However, the weak similarity effect associates this additional precondition with the inequality  $P_T(x)/P_T(z) < p_{xz}/p_{zx}$ . Again, we have two inequalities that cannot both hold.

These examples illustrate the importance of clarifying whether one is predicting that an effect will occur or claiming that it is possible. They also illustrate the importance of distinguishing between one-sided effects and the stricter two-sided effects, since the latter may be in conflict with another type of context effect even when the former is not. Finally, they encourage precise descriptions of the structure of the master set, to avoid conflicting predictions.

### Effect regions

Part of the description of a context effect is a condition on choice probabilities associated with a precondition. We represent these conditions as *effect regions*, subsets of  $\Delta(U)$ , the space of all RCSs on the master set  $U$ . We can interpret effect regions and their complements as hypotheses amenable to statistical testing; detecting the presence of a context effect, contingent on the precondition being satisfied, can be framed as a test of such a hypothesis.

We introduce some notation that helps reveal the resemblance among the various context effects. For a given master set  $U$  and distinct objects  $a, b, b' \in U$ , we define the *weak generic effect region*  $E_{abb'}$  as

$$E_{abb'} \equiv \left\{ P \in \Delta(U) : \frac{P_{\{a,b,b'\}}(b)}{P_{\{a,b,b'\}}(a) + P_{\{a,b,b'\}}(b)} > p_{ba} \right\},$$

where adding the object  $b'$  to the set  $\{a, b\}$  increases the probability *share* of  $b$ , out of the two elements  $a$  and  $b$ . We define the *strong generic effect region*  $\mathbf{E}_{abb'}$  as

$$\mathbf{E}_{abb'} \equiv \{P \in \Delta(U) : P_{\{a,b,b'\}}(b) > p_{ba}\},$$

where adding the object  $b'$  to the set  $\{a, b\}$  increases the probability of  $b$ . Note that  $\mathbf{E}_{abb'} \subset E_{abb'}$ : the strong generic effect is indeed more restrictive than the weak generic

effect. The weak generic effect region can also be written as

$$E_{abb'} = \left\{ P \in \Delta(U) : p_{ab} > \frac{P_{\{a,b,b'\}}(a)}{P_{\{a,b,b'\}}(a) + P_{\{a,b,b'\}}(b)} \right\},$$

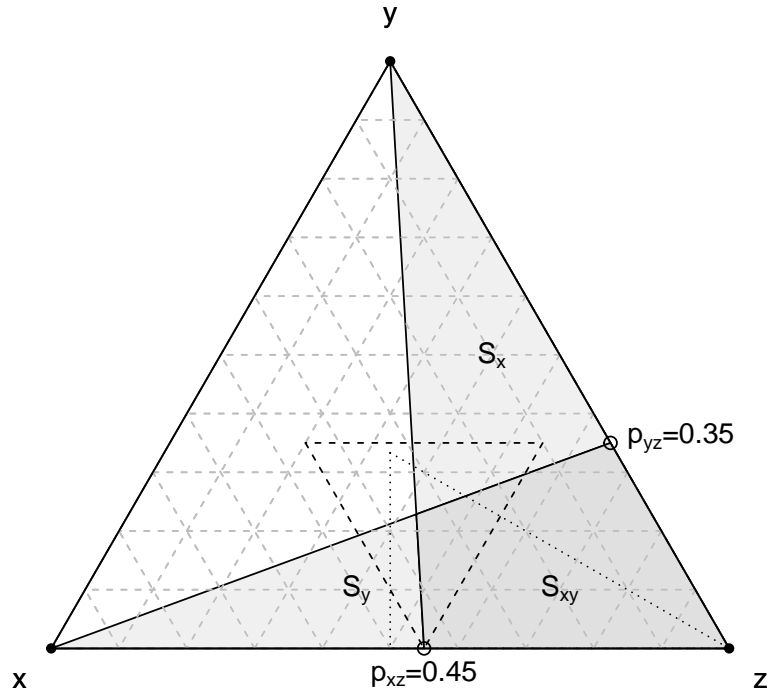
where the defining inequality resembles equations (3) and (4) more transparently. However, this form obscures the relationship between the weak and strong generic effect regions that is more obvious in the previous definition. We will define  $E_{abb'}^c$  and  $\mathbf{E}_{abb'}^c$  as the complements of  $E_{abb'}$  and  $\mathbf{E}_{abb'}$ , respectively, in  $\Delta(U)$ . We now express the effect regions for various versions of the three types of context effects, in terms of the generic regions.

### *Similarity effects*

Let  $T \equiv \{x, y, z\} \subseteq U$ . The similarity effects we describe here are associated with a similarity relation  $\sim$  on the master set  $U$ , together with the precondition that  $x \sim y$ ,  $x \not\sim z$  and  $y \not\sim z$ .

We call the similarity effects described by Tversky (1972b), restated in equations (3) and (4), weak similarity effects. In terms of weak generic effect regions, the region where (3) holds is  $E_{xzy}$  and the region where (4) holds is  $E_{yzx}$ . Later, we will use the following shorthand notation for one- and two-sided weak similarity effects. We define  $S_{xy} \equiv E_{xzy} \cap E_{yzx}$ , the region in which (3) and (4) both hold, and call the associated effect a two-sided weak similarity effect. Similarly, we define  $S_x \equiv E_{xzy} \cap E_{yzx}^c$  and  $S_y \equiv E_{xzy}^c \cap E_{yzx}$ , and call the associated effects one-sided weak similarity effects. Finally, we let  $\mathcal{S} \equiv E_{xzy}^c \cap E_{yzx}^c$ , the region where neither (3) nor (4) holds.

Figure 3 shows cross sections of the sets  $S_x$ ,  $S_y$  and  $S_{xy}$ . For the same fixed values  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$  as in Figure 2, Figure 3 shows the set of values of the ternary probability vector  $P_T(\cdot)$  in each of these regions, in Barycentric coordinates. Also indicated on the diagram, to help illustrate results in Section Theoretical Results, are the regularity and simple scalability regions from Figure 2. The boundary of those regions are indicated here by dashed and dotted lines, respectively. Note that for the given binary choice probabilities, all of the regions  $S_x$ ,  $S_y$ ,  $S_{xy}$  and  $\mathcal{S}$  intersect with the region where simple



**Figure 3**

*One- and two-sided weak similarity effects: given  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$ ,  $S_{xy}$  is the region where (3) and (4) holds,  $S_x$  is the region where (3) holds and (4) does not and  $S_y$  is the region where (4) holds and (3) does not.  $\mathcal{S}$ , the region where there is no weak similarity effect is unshaded.*

scalability holds, illustrating that the type of weak similarity effect is logically independent of simple scalability. Similarly, the four regions all intersect with the region where regularity holds, showing that the type of weak similarity effect is logically independent of regularity.

We now define notation for what we will call strong similarity effects.

Corresponding to the weak similarity regions  $E_{xzy}$  and  $E_{yzx}$ , described by equations (3) and (4), we have the strong similarity regions  $\mathbf{E}_{xzy}$  and  $\mathbf{E}_{yzx}$ . We define, analogously with the weak similarity effects, the two-sided strong similarity effect  $\mathbf{S}_{xy}$ , the two one-sided strong similarity effects  $\mathbf{S}_x$  and  $\mathbf{S}_y$ , and the absence of a strong similarity effect  $\mathcal{S}$ . Clearly  $\mathbf{S}_{xyz} \subseteq S_{xyz}$ , justifying the qualifiers weak and strong.

### *Compromise effects*

Again, let  $T \equiv \{x, y, z\} \subseteq U$ , but now we describe compromise effects associated with the precondition that  $x$ ,  $y$  and  $z$  satisfy the between-ness relation  $x|y|z$ .

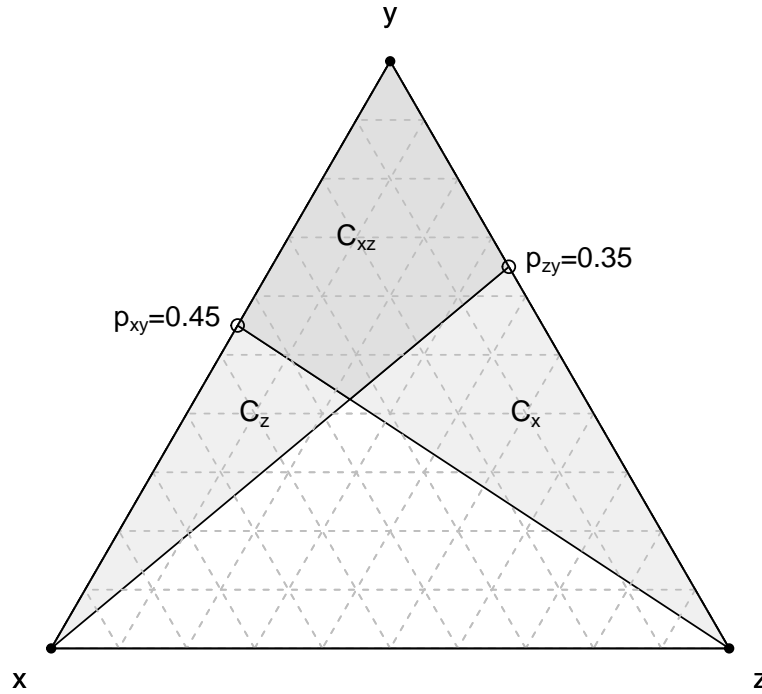
The compromise effects described by Tversky and Simonson (1993) are weak effects. The effect region associated with adding  $z$  to  $\{x, y\}$ , making  $y$  a “compromise” option, is the weak effect region  $E_{xyz}$ ; the region associated with adding  $x$  to  $\{y, z\}$ , also making  $y$  a compromise option, is  $E_{zyx}$ .

In a similar manner to the weak similarity effects, we use the shorthand notation  $C_{xz}$  to denote  $E_{xyz} \cap E_{zyx}$  and call the associated effect a two-sided weak compromise effect. We use the notation  $C_x \equiv E_{xyz} \cap E_{zyx}^c$  and  $C_z \equiv E_{xyz}^c \cap E_{zyx}$  for the two one-sided weak compromise effect regions and  $\mathcal{C} \equiv E_{xyz}^c \cap E_{zyx}$  for the region where there is no weak compromise effect.

Figure 4 shows cross sections of the sets  $C_x$ ,  $C_z$  and  $C_{xz}$ . For the fixed values  $p_{xy} = 0.45$  and  $p_{zy} = 0.35$ , it shows the set of values of the ternary probability vector  $P_T(\cdot)$  in each of these regions.

The compromise effects described by Simonson (1989) are strong effects, where the probability of choosing the between object  $y$  goes up when it becomes a compromise object. We use the notation  $\mathbf{C}_x \equiv \mathbf{E}_{xyz} \cap \mathbf{E}_{zyx}^c$  and  $\mathbf{C}_z \equiv \mathbf{E}_{xyz}^c \cap \mathbf{E}_{zyx}$  for the two one-sided strong compromise effect regions and  $\mathcal{C} \equiv \mathbf{E}_{xyz}^c \cap \mathbf{E}_{zyx}$  for the region where there is no strong compromise effect.

The notation for the weak and strong generic effect regions helps reveal the common mathematical structure of the weak similarity and compromise effects and that of the strong similarity and compromise effects. In the similarity effect, there is a symmetry between the two similar choice objects, and the dissimilar object is in the same relation to both. In the compromise effect, there is a symmetry between the two extreme objects, and the between object is in a symmetric relation to the two others, in the sense that  $x|y|z$  if and only if  $z|y|x$ . Furthermore, in both weak effects, the distinct object (dissimilar or



**Figure 4**

*One- and two-sided weak compromise effects: given  $p_{xy} = 0.45$  and  $p_{zy} = 0.35$ , the figure shows cross sections of the two-sided weak compromise effect region  $C_{xz}$ , and the one-sided weak compromise effect regions  $C_x$  and  $C_z$ .*

between) is the one that is relatively favoured in ternary choice, compared to binary choice. In both strong effects, the distinct object is the one whose probability increases in ternary choice. Note that the definitions of  $C_{xz}$ ,  $C_x$ ,  $C_z$ ,  $\emptyset$ ,  $\mathbf{C}_x$ ,  $\mathbf{C}_z$  and  $\mathbf{\emptyset}$  can be obtained by exchanging the elements  $y$  and  $z$  in the definitions of  $S_{xy}$ ,  $S_x$ ,  $S_y$ ,  $\mathcal{S}$ ,  $\mathbf{S}_x$ ,  $\mathbf{S}_y$  and  $\mathbf{\mathcal{S}}$ , respectively. We will exploit this common structure in the proofs of Section Theoretical Results.

### ***Asymmetric dominance effects***

For the same  $T = \{x, y, z\} \subseteq U$ , we now consider the effect region associated with the precondition that  $x \triangleright y$ ,  $z \not\triangleright y$  and  $x \not\triangleright z$ , where  $\triangleright$  is a dominance relation on  $U$ . As far as we know, the asymmetric dominance effect is consistently described as a strong effect. The decoy object  $y$  in the asymmetric dominance effect, unlike the decoy in the similarity

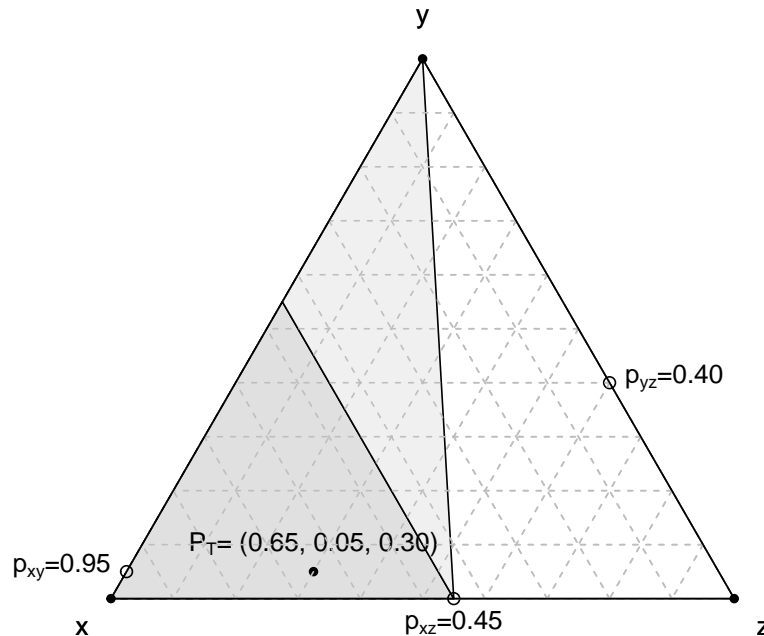
and compromise effects, is expected to have a very low choice probability. As a consequence, there is little difference in practice between the strong asymmetric dominance effect and a weak version of it. The effect region for the asymmetric dominance effect is  $\mathbf{E}_{zxy}$ , where the probability of choosing  $x$  increases when the decoy  $y$ , dominated by  $x$  but not by  $z$ , is added to the choice set  $\{x, z\}$ . For the sake of completeness of the results below, we define a weak asymmetric dominance effect as the effect with the same precondition and effect region  $E_{zxy}$ .

The asymmetric dominance effect differs in another way: there is no symmetry in the precondition, as there is between the two similar objects of the similarity effect and the two extreme objects of the compromise effect. Thus, there is only ever a one-sided effect. However, when we consider the ternary-ternary effects, we will see that in this case, the asymmetric dominance effect is more similar to the other two effects.

Figure 5 shows a complete specification of binary and ternary choice probabilities on  $T = \{x, y, z\}$ , illustrating a stylized asymmetric dominance effect for the precondition that  $x \triangleright y$ ,  $z \not\triangleright y$  and  $x \not\triangleright z$ . The decoy  $y$  is usually very close to the target  $x$  in attribute space, although dominated by it, so we might expect  $p_{yz}$  to be slightly less than  $p_{xz}$ ,  $P_T(y)$  and  $p_{yx}$  to be very small. If the (strong) effect occurs, we also have  $P_T(x) > p_{xz}$ . Figure 5 also shows cross sections of the strong effect region  $\mathbf{E}_{zxy}$  (dark shading) and the weak effect region  $E_{zxy}$  (dark and light shading) for fixed  $p_{xz} = 0.45$ . We see clearly here that for small  $P_T(y)$ , there is little difference between the weak and strong effects.

### **Ternary-ternary effects**

Trueblood et al. (2014) give clear definitions of ternary-ternary versions of the similarity, compromise, and asymmetric dominance effects, although the idea goes back to at least Wedell (1991). All three ternary-ternary effects have the following features in common: there are two main choice objects,  $a$  and  $b$ , which appear in both relevant choice sets, and two other objects,  $a'$  and  $b'$ . Two ternary choice sets are presented to decision



**Figure 5**

*Stylized asymmetric dominance effect, as well as cross sections of strong (dark shading) and weak (dark and light shading together) effect regions, for fixed  $p_{xz} = 0.45$ .*

makers,  $\{a, b, a'\}$  and  $\{a, b, b'\}$ . Relative to the inclusion of  $b'$ , the inclusion of  $a'$  in the choice set favours the choice of  $a$  relative to  $b$ . For a given master set  $U$  and distinct elements  $a, b, a'$  and  $b'$ , the generic ternary-ternary effect region is

$$E_{a'abb'} \equiv \left\{ P \in \Delta(U) : P_{\{a,b,a'\}}(a) > P_{\{a,b,b'\}}(a) \text{ and } P_{\{a,b,a'\}}(b) < P_{\{a,b,b'\}}(b) \right\},$$

so that when we compare choice probabilities on the ternary set where the third element is  $a'$  with those where the third element is  $b'$ , the probability of choosing  $a$  is higher and the probability of choosing  $b$  is lower.

Unlike the one-sided weak binary-ternary effects, which rule out the constant ratio rule, analogous one-sided ternary-ternary effects—in which the probabilities of  $a$  and  $b$  move in the same direction when the third option is replaced by another, as one might expect—do not. In fact, for each of regularity, the constant ratio rule and simple scalability, it is easy to construct examples of one-sided ternary-ternary effects that are compatible with the condition and others that are not.

In the ternary-ternary similarity effect, there is a similarity relation  $\sim$  on  $U$  and the precondition is  $a' \sim b$ ,  $b' \sim a$  and  $a \not\sim b$ . In the ternary-ternary compromise effect, there is a between-ness relation  $\cdot | \cdot | \cdot$  and the precondition is  $a'|a|b$  and  $a|b|b'$ . In the ternary-ternary asymmetric dominance effect, there is a dominance relation  $\triangleright$  and the precondition is  $a \triangleright a'$ ,  $b \triangleright b'$ ,  $a \not\triangleright b'$ ,  $b \not\triangleright a'$ .

Although the same name is used to describe both ternary-ternary and binary-ternary effects, sometimes in the same paper, they are distinct effects. They are related, however, and we explore this relation below.

### Theoretical Results

In this section we provide some results relevant to the issues raised in Section An overview of the issues. Some are previously known results and others are new. We begin in Section Compatibility (or not) of context effects with regularity, random utility, the constant ratio rule and simple scalability with results on the compatibility, or not, of the three context effects with regularity, random utility, the constant ratio rule and simple scalability. We then discuss results that relate different kinds of context effect. Section Aggregation of context effects relates individual and population versions of the same effects; some effects aggregate and others do not. Section Theorems relating binary-ternary and ternary-ternary context effects relates binary-ternary and ternary-ternary versions of the same effect. Section Theorems related to the compromise effect summarizes known results about the compromise effect.

#### **Compatibility (or not) of context effects with regularity, random utility, the constant ratio rule and simple scalability**

The compatibility results of this section are summarized in Table 2 and can be expressed briefly as follows. All context effects, weak or strong, one- or two-sided, binary-ternary or ternary-ternary, are incompatible with the constant ratio rule ( $\times_1$ ). All ternary-ternary effects are incompatible with simple scalability ( $\times_2$ ). All strong



binary-ternary context effects, whether one- or two-sided, are incompatible with regularity and, by extension, with random utility ( $\times_3$ ). However, all weak binary-ternary context effects, whether one- or two-sided, and all ternary-ternary context effects, are compatible with regularity, in the sense that for each type of effect, there are examples where regularity holds ( $\checkmark_1$ ). Also, all binary-ternary context effects, whether weak or strong, whether one- or two-sided, are compatible with simple scalability, in the sense that for each type of effect, there are examples where simple scalability holds ( $\checkmark_2$ ).

Effect type	Constant ratio rule	Simple scalability	Regularity
Weak 2-3	$\times_1$	$\checkmark_2$	$\checkmark_1$
Strong 2-3	$\times_1$	$\checkmark_2$	$\times_3$
3-3	$\times_1$	$\times_2$	$\checkmark_1$

**Table 2**

*Summary of compatibility results*

The incompatibility results are mostly well known and fairly obvious. Suppose we have a universe that includes objects  $a, b, a'$  and  $b'$ :  $\{a, a', b, b'\} \subseteq U$ . The condition in the definition of the binary-ternary weak generic context effect  $E_{abb'}$  is clearly inconsistent with  $P_{\{a,b,b'\}}(a)/P_{\{a,b,b'\}}(b) = p(a,b)/p(b,a)$ , a necessary condition for the constant ratio rule. By extension, all binary-ternary weak and strong context effects, one-sided and two-sided, are inconsistent with the constant ratio rule. If the two conditions in the definition of the ternary-ternary generic effect region  $E_{a'abb'}$  hold, then  $P_{\{a,b,a'\}}(a)/P_{\{a,b,a'\}}(b) = p(a,b)/p(b,a)$  and  $P_{\{a,b,b'\}}(a)/P_{\{a,b,b'\}}(b) = p(a,b)/p(b,a)$  cannot both hold. Therefore all ternary-ternary effects are incompatible with the constant ratio rule. The stronger condition that ternary-ternary effects are incompatible with simple scalability is easily shown directly without appeal to its equivalence to the order independence condition. Suppose that simple scalability holds and let  $F_2(\cdot, \cdot), F_3(\cdot, \cdot, \cdot), F_4(\cdot, \cdot, \cdot, \cdot)$  and  $u(\cdot)$  be functions satisfying the conditions of Definition 5. The first defining

condition of the generic ternary-ternary effect gives

$$F_3(u(a), u(b), u(a')) = P_{\{a,b,a'\}}(a) > P_{\{a,b,b'\}}(a) = F_3(u(a), u(b), u(b')),$$

which, together with the monotonicity property of  $F_3$  implies  $u(a') < u(b')$ . The second defining condition gives

$$F_3(u(b), u(a), u(a')) = P_{\{a,b,a'\}}(b) < P_{\{a,b,b'\}}(b) = F_3(u(b), u(a), u(b'))$$

which, with monotonicity, implies  $u(a') > u(b')$ . Clearly the two conditions cannot both hold if simple scalability does. Finally, the condition in the definition of the strong generic context effect  $\mathbf{E}_{abb'}$  is clearly inconsistent with  $P_{\{a,b,b'\}}(b) \leq p_{ba}$ , a necessary condition for regularity. By extension, all strong context effects, one-sided and two-sided, are inconsistent with regularity. Since regularity is itself necessary for random utility, they are inconsistent with random utility.

We now turn to compatibility results for binary-ternary effects. Since these results consist of examples of complete RCSs satisfying various combinations of conditions, we provide examples with the simplest structure possible. Thus, we restrict our attention to the universe  $U = \{x, y, z\}$ . We begin with weak similarity effects and show that whether we have a two-sided effect, a one-sided effect or no effect is logically independent of regularity and logically independent of simple scalability. We do this by providing examples of RCSs satisfying both simple scalability and regularity in each of the regions  $S_{xy}$ ,  $S_x$ ,  $S_y$  and  $\mathcal{S}$ ; and other examples of RCSs satisfying neither regularity nor simple scalability in each of those same regions. Figure 3 illustrates these facts graphically. In all our examples,  $p_{xz} = 0.45$ ,  $p_{yz} = 0.35$  and  $p_{xy} = 117/194 \approx 0.603$ . The values of  $p_{xz}$  and  $p_{yz}$  are the same as those in Figures 2 and 3. The value  $p_{xy} = 117/194$  corresponds to point  $D$  in Figure 2, and is the only value of  $p_{xy}$  that makes the three binary choice probabilities consistent with the constant ratio rule. Given these three binary choice probabilities, the set of ternary choice probability vectors completing a RCS on  $U = \{x, y, z\}$  satisfying simple scalability is the region where  $P_U(z) > P_U(x) > P_U(y)$ , indicated in grey in Figure 2 and in dotted lines

in Figure 3. We turn now to the regularity condition—and indirectly, random utility, since they are equivalent in universes of size three. Given  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$ , the value  $p_{xy} = 117/194$  imposes no further regularity restrictions on ternary choice probabilities: since  $p_{xy} > p_{xz}$  and  $p_{yx} > p_{yz}$ , the constraint  $P_U(x) \leq p_{xz}$  on  $P_U(x)$  and the constraint  $P_U(y) \leq p_{yz}$  make the constraints  $P_U(x) \leq p_{xy}$  and  $P_U(y) \leq p_{yx}$  redundant. Thus the set of ternary choice probability vectors consistent with the three binary choice probabilities we have just specified is the same set of vectors consistent with  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$  alone, namely the inverted triangle in Figure 2, also indicated in Figure 3 with dashed lines.

Recall that the regions in Figure 3 labelled  $S_{xy}$ ,  $S_x$ ,  $S_y$  and  $\mathcal{S}$  are cross sections of the regions  $S_{xy}$ ,  $S_x$ ,  $S_y$  and  $\mathcal{S}$  defined in Section Definitions of context effects. Now it just a matter of pointing out that each of these cross sections intersects with the regularity region, the simple scalability region and each of their complements. In the supplementary materials, we provide numerical examples, which can be verified directly.

Given the common mathematical structure of the various similarity effects and their compromise effect counterparts, outlined in Section Compromise effects, we obtain similar compatibility results for weak compromise effects by exchanging the objects  $y$  and  $z$ .

Table 3 shows examples of RCSs explicitly induced by random preferences, in the regions  $S_{xy}$ ,  $S_x$ ,  $\mathcal{S}$ ,  $C_{xz}$ ,  $C_x$  and  $\emptyset$ . The first column identifies which subset of the partition defined in Section Similarity effects that the example falls into. Columns  $\pi_{xyz}$  through  $\pi_{zyx}$  describe a random preference and columns  $p_{xy}$  through  $P_T(z)$  describe the choice probabilities induced by that random preference. The effects  $S_y$  and  $C_z$  are omitted from the table because of symmetry between  $x$  and  $y$  in the weak similarity effect and the symmetry between  $x$  and  $z$  in the weak compromise effect.

We now show that strong binary-ternary effects are compatible with simple scalability. We begin with two examples showing the compatibility of one- and two-sided strong similarity effects. In both examples, the binary choice probabilities are  $p_{xy} = 117/194 \approx 0.603$ ,  $p_{xz} = 0.45$  and  $p_{yz} = 0.35$ , as they were in previous examples. We

Effect	$\pi_{xyz}$	$\pi_{xzy}$	$\pi_{yxz}$	$\pi_{yzx}$	$\pi_{zxy}$	$\pi_{zyx}$	$p_{xy}$	$p_{yz}$	$p_{xz}$	$P_T(x)$	$P_T(y)$	$P_T(z)$
$S_{xy}$	1/4	0	1/4	0	1/4	1/4	1/2	1/2	1/2	1/4	1/4	1/2
$S_x$	0	1/8	3/8	1/8	3/8	0	1/2	1/2	1/2	1/8	1/2	3/8
$\mathcal{S}$	0	1/2	0	1/2	0	0	1/2	1/2	1/2	1/2	1/2	0
$C_{xz}$	0	1/4	1/4	1/4	1/4	0	1/2	1/2	1/2	1/4	1/2	1/4
$C_x$	1/8	0	3/8	0	3/8	1/8	1/2	1/2	1/2	1/8	3/8	1/2
$\mathcal{C}$	1/2	0	0	0	0	1/2	1/2	1/2	1/2	1/2	0	1/2

**Table 3**

*Compatibility of weak similarity and weak compromise effects with random preferences. Each line gives the specification of a single random preference, in columns  $\pi_{xyz}$  through  $\pi_{zyx}$ ; and the induced RCS, in columns  $p_{xy}$  through  $P_T(z)$ .*

have seen that SST holds for these probabilities. In the first example, we complete the RCS on  $U = \{x, y, z\}$  with the ternary choice probability vector  $(P_U(x), P_U(y), P_U(z)) = (0.3, 0.1, 0.6)$ . Since  $0.6 = P_U(z) > p_{zx} = 0.55$  but  $0.6 = P_U(z) \not> p_{zy} = 0.65$ , we have a one-sided, but not two-sided strong effect. Since  $P_U(z) > P_U(y) > P_U(x)$ , simple scalability holds. In the second example,  $(P_U(x), P_U(y), P_U(z)) = (0.2, 0.1, 0.7)$ , and since  $P_U(z) = 0.7$  is greater than both  $p_{zx}$  and  $p_{zy}$ , we have a two-sided strong effect. Because of common mathematical structure, the strong one- and two-sided binary-ternary compromise effects, and the strong binary-ternary asymmetric dominance effect—which is only ever one-sided—are also compatible with simple scalability.

Our final example in this section shows that the ternary-ternary effects are compatible with random preference, and by extension, random utility and regularity. The

random preference that assigns probability  $\epsilon \in (0, \frac{1}{2})$  to the rankings  $b' \succ a \succ b \succ a'$  and  $a' \succ b \succ a \succ b'$  and probability  $\frac{1}{2} - \epsilon$  to the rankings  $a \succ b \succ a' \succ b'$  and  $b \succ a \succ a' \succ b'$  induces probabilities satisfying the two inequalities in the definition of the generic ternary-ternary effect:  $\frac{1}{2} = P_{\{a,b,a'\}}(a) > P_{\{a,b,b'\}}(a) = \frac{1}{2} - \epsilon$  and  $\frac{1}{2} = P_{\{a,b,b'\}}(b) > P_{\{a,b,a'\}}(b) = \frac{1}{2} - \epsilon$ . There are simpler examples, such as the random preference assigning probability  $\frac{1}{2}$  to the first two rankings above, but the example provided is a more realistic outcome of an asymmetric dominance experiment: the probabilities of  $a \succ a'$  and  $b \succ b'$  are both  $1 - \epsilon$  and can be set arbitrarily close to one.

Because only some versions of the context effects conflict with simple scalability, it is important to be precise about effect regions. We take Trueblood, Brown, and Heathcote (2013) (TBH) as a cautionary example. TBH assert (page 179)

Beyond their practical implications for areas such as consumer choice, the three effects are important for theories of preference because they violate the property of simple scalability (Krantz, 1964; Tversky, 1972).

Krantz (1964) defines simple scalability, and the paper predates the similarity effect. Tversky (1972b) provides many theoretical arguments and much empirical evidence against simple scalability, introduces the EBA model specifically to “resolve this problem” and claims that the (weak two-sided binary-ternary) similarity effect is “incorporated into the [EBA] model”. Then in the empirical section, he tests the stronger hypothesis of the constant-ratio rule, not simple scalability, against the alternative hypothesis of the similarity effect. He never claims, however, that the effect violates simple scalability, and we have seen that it does not. TBH provide three different descriptions of the “similarity effect”, none of which corresponds to the two-sided weak effect introduced by Tversky (1972b) or to the one-sided version of it. In the context of binary-ternary choice, they give the following descriptions: (page 179 and page 181, respectively)

The similarity effect arises from the introduction of an option that is similar

to, and competitive with, one of the original alternatives, and causes a reduction in the probability of choosing the similar alternative.

and

The similarity effect occurs when a competitive option ... that is similar to one of the existing alternatives is added to the choice set and the probability of selecting the dissimilar option increases.

The first of these descriptions is not much more than what regularity predicts. The second is a strong similarity effect, which does not necessarily violate simple scalability either. TBH also use the term “similarity effect” to describe (page 181) the ternary-ternary similarity effect, which does in fact violate simple scalability. Fortunately, this is the definition to which the empirical results of their paper pertain.

### **Aggregation of context effects**

Suppose we have a population of decision makers, each of whose choices is governed by an RCS. For any given context effect, an individual RCS is either inside or outside the associated effect region, and the same is true for the population RCS. We discuss here the logical relationships between the occurrence or not of a given effect for individual RCSs and its occurrence or not for the population RCS.

It turns out that the aggregation properties of the weak binary-ternary effects (similarity and compromise) are very different from those of the strong binary-ternary effects (similarity, compromise and asymmetric dominance) and the ternary-ternary effects. We can say much more about the aggregation of the latter effects, because each of their effect regions is defined by one or more linear inequalities in choice probabilities and is therefore convex in  $\Delta(U)$ . Because a population RCS is a convex combination of individual RCSs, any of these effects that is satisfied by each individual RCS in the population must also be satisfied by the population RCS. We will refer to these effects as the *convex effects*.

For the weak binary-ternary effects, the occurrence or not of an effect in the various individual RCSs implies very little about its occurrence or not in the population RCS; although we have seen cross-sections of effect regions that are convex, the effect regions are not in fact convex and neither are their complements.

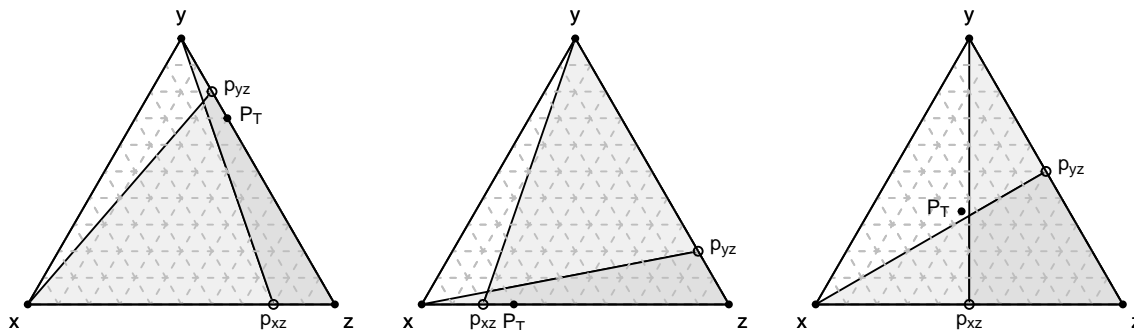
We support our claim about the (lack of) aggregation of weak binary-ternary effects by providing a long list of counterexamples. We start with the weak similarity effect and suppose we have  $(x, y, z)$  with  $x \sim y$ ,  $x \not\sim z$  and  $y \not\sim z$ . Each counterexample consists of the specification of two individual RCSs on  $\{x, y, z\}$ ,  $P^{(1)}$  and  $P^{(2)}$ ; in each case, we compute an aggregate RCS  $P$  that is the equally weighted mixture of  $P^{(1)}$  and  $P^{(2)}$ . We can think of a random draw from a population of the two individuals or, alternatively, a random draw from a population with two equally likely types.

Each of the three RCSs ( $P^{(1)}$ ,  $P^{(2)}$  and  $P$ ) is in exactly one of  $S_{xy}$ ,  $S_x$ ,  $S_y$  or  $\mathcal{S}$ ; in each counterexample, we indicate, for each RCS, which is the case. There are  $4^3 = 64$  combinations in total, but some are equivalent to others, because of symmetry between  $x$  and  $y$ , and are excluded. It turns out that all combinations are possible, and we tabulate them all in the supplementary materials for this paper.

Here we illustrate three extreme cases, which together capture most of what we consider surprising about the lack of aggregation of weak effects: other examples are weaker, in a sense, than one or more of the three extreme cases and thus not very surprising. At the same time, none of the three extreme cases is much less surprising given the other two.

Figure 6 illustrates a case where two individual RCSs with two-sided weak similarity effects aggregate to a population RCS without any weak similarity effect; each panel shows a particular RCS, in the same way as Figure 1 does, except that the binary choice probability  $p_{xy}$ , which is irrelevant, remains unspecified. The shaded regions of the three panels indicate cross sections of  $S_{xy}$ ,  $S_x$ ,  $S_y$  and  $\mathcal{S}$  in the same way that Figure 3 does. The left panel of the figure shows one individual RCS, where  $p_{xz} = 0.2$ ,  $p_{yz} = 0.8$ ,  $P_T(x) = 0$ ,

$P_T(y) = 0.70$  and  $P_T(z) = 0.30$ ; the middle panel shows the other, where  $p_{xz} = 0.8$ ,  $p_{yz} = 0.2$ ,  $P_T(x) = 0.70$ ,  $P_T(y) = 0$  and  $P_T(z) = 0.30$ . The right panel shows the aggregate RCS, where  $p_{xz} = p_{yz} = 0.5$ ,  $P_T(x) = P_T(y) = 0.35$  and  $P_T(z) = 0.30$ .



**Figure 6**

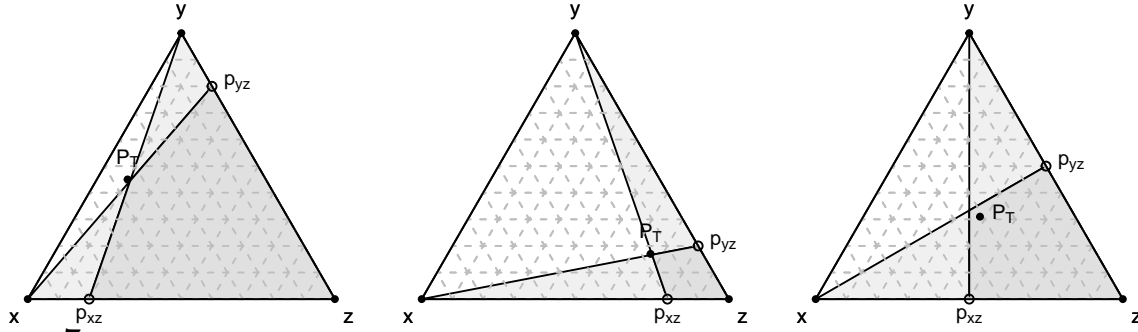
*Two individuals satisfying a two-sided weak similarity effect aggregating to a population that fails to satisfy any two-sided weak similarity effect.*

Figure 7 illustrates a case where two individuals with no similarity effects aggregate to a population RCS with a two-sided weak similarity effect, in the same manner as Figure 6. The left panel shows one individual RCS, where  $p_{xz} = p_{yz} = 0.8$ ,  $P_T(x) = P_T(y) = 0.45$  and  $P_T(z) = 0.10$ ; the middle panel shows the other individual RCS, where  $p_{xz} = p_{yz} = 0.2$ ,  $P_T(x) = P_T(y) = 0.17$  and  $P_T(z) = 0.66$ . The right panel shows the aggregate RCS, where  $p_{xz} = p_{yz} = 0.5$ ,  $P_T(x) = P_T(y) = 0.31$  and  $P_T(z) = 0.38$ .

Figure 8 illustrates a case where two individual RCSs each have one-sided weak similarity effects of the same type ( $S_x$ ) and the aggregate RCS has a one-sided weak similarity effect of the opposite type ( $S_y$ ). The left panel shows one individual RCS, where  $p_{xz} = 0.95$ ,  $p_{yz} = 0.80$ ,  $P_T(x) = 0.71$ ,  $P_T(y) = 0.24$  and  $P_T(z) = 0.05$ ; the middle panel shows the other individual RCS, where  $p_{xz} = 0.05$ ,  $p_{yz} = 0.50$ ,  $P_T(x) = 0.01$ ,  $P_T(y) = 0.52$  and  $P_T(z) = 0.47$ . The right panel shows the aggregate RCS, where  $p_{xz} = 0.5$ ,  $p_{yz} = 0.65$ ,  $P_T(x) = 0.36$ ,  $P_T(y) = 0.38$  and  $P_T(z) = 0.26$ .

Again, we can exploit the common mathematical structure of the various similarity effects and their compromise effect counterparts to obtain a full set of examples showing





**Figure 7**

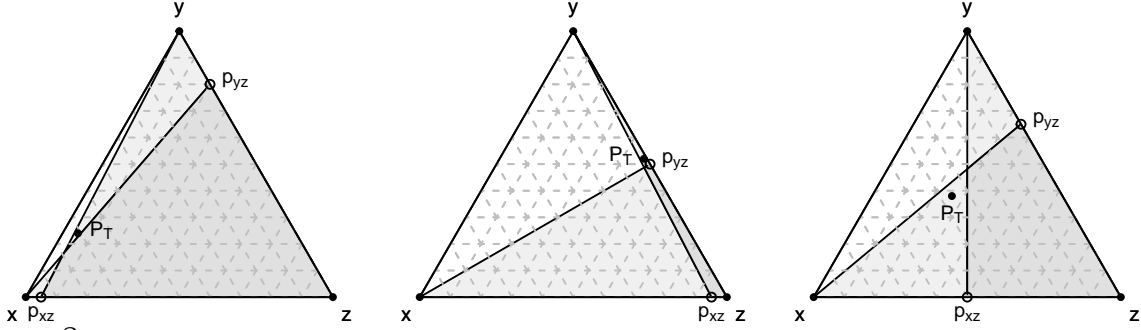
*Two individuals failing to satisfy any weak similarity effect aggregating to a population satisfying a two-sided weak similarity effect.*

that any aggregation pattern is also possible for weak compromise effects. We do not illustrate these explicitly; the reader can construct individual examples as desired by exchanging objects  $y$  and  $z$ . For example, to construct an example where two individual RCS with no weak compromise effect aggregate to an RCS with a two-sided weak compromise, take the three RCSs illustrated in Figure 7. Exchanging objects  $y$  and  $z$  gives one individual RCS where  $p_{xy} = p_{zy} = 0.8$ ,  $P_T(x) = P_T(z) = 0.45$  and  $P_T(y) = 0.10$ , another individual RCS where  $p_{xy} = p_{zy} = 0.2$ ,  $P_T(x) = P_T(z) = 0.17$  and  $P_T(y) = 0.66$ . The aggregate RCS has  $p_{xy} = p_{zy} = 0.5$ ,  $P_T(x) = P_T(z) = 0.31$  and  $P_T(y) = 0.38$ .

### **Theorems relating binary-ternary and ternary-ternary context effects**

Here we explore the theoretical relationship between the ternary-ternary (3-3) context effects described in Section Ternary-ternary effects, and related binary-ternary context effects. We will take a generic approach since the results here apply equally to the cases of similarity, compromise and asymmetric dominance effects.

We start with the choice environment outlined in Section Ternary-ternary effects, where  $U$  is a universe of objects including  $a$ ,  $b$ ,  $a'$  and  $b'$ . The relevant choice sets are  $\{a, b\}$ ,  $\{a, b, a'\}$  and  $\{a, b, b'\}$ . The presence of object  $a'$  is supposed to favour the choice of  $a$ ; the presence of  $b'$ , the choice of  $b$ .



**Figure 8**

*Two individuals satisfying the one-sided weak similarity effect  $S_x$  aggregating to a population satisfying the opposite weak similarity effect  $S_y$*

The 3-3 effect pertains to the two ternary choice probability vectors  $P_{\{a,b,a'\}}(\cdot)$  and  $P_{\{a,b,b'\}}(\cdot)$ . The effect region is defined by the following inequalities, both of which must hold for the effect to occur:

$$P_{\{a,b,a'\}}(a) > P_{\{a,b,b'\}}(a), \quad (5)$$

$$P_{\{a,b,a'\}}(b) < P_{\{a,b,b'\}}(b). \quad (6)$$

Related to this 3-3 effect are two distinct 2-3 effects, one of them a constraint on  $P_{\{a,b,a'\}}(\cdot)$  and  $p_{ab}$  and the other, a constraint on  $P_{\{a,b,b'\}}(\cdot)$  and  $p_{ab}$ . Each of these effects can be strong, weak or absent. The strong versions of the two effects are

$$P_{\{a,b,a'\}}(a) > p_{ab}, \quad (7)$$

$$P_{\{a,b,b'\}}(b) > p_{ba}, \quad (8)$$

and the weak versions can be expressed as

$$\frac{P_{\{a,b,a'\}}(a)}{P_{\{a,b,a'\}}(b)} > \frac{p_{ab}}{p_{ba}}, \quad (9)$$

$$\frac{P_{\{a,b,b'\}}(b)}{P_{\{a,b,b'\}}(a)} > \frac{p_{ba}}{p_{ab}}. \quad (10)$$

We now establish some results that relate the occurrence of the 3-3 effect to the

occurrence and strength of the two 2-3 effects. These can be summarized as follows. If the 3-3 effect occurs, then at least one weak 2-3 effect must occur. If both strong 2-3 effects occur, then the 3-3 effect must occur. All patterns of occurrence of the 3-3 and 2-3 effects that are not ruled out by these two results are possible.

First we show that the 3-3 effect implies that there must be a weak 2-3 effect. If the 3-3 similarity effect occurs, then both (5) and (6) hold and therefore

$$\frac{P_{\{a,b,a'\}}(a)}{P_{\{a,b,a'\}}(b)} > \frac{P_{\{a,b,b'\}}(a)}{P_{\{a,b,b'\}}(b)}.$$

The ratio  $p_{ab}/p_{ba}$  must either be less than the left-hand side of this equation, in which case (9) holds; or greater than the right-hand side, in which case (10) holds, or both. Therefore there must be at least one weak similarity effect.

We now show that if both strong 2-3 effects occur, then the 3-3 effect must occur. If both strong 2-3 similarity effects occur, then (7) and (8) hold. Summing these two equations gives  $P_{\{a,b,a'\}}(a) + P_{\{a,b,b'\}}(b) > 1$ . Using the fact that choice probabilities on  $\{a, b, b'\}$  sum to one, in order to eliminate  $P_{\{a,b,b'\}}(b)$ , gives  $P_{\{a,b,a'\}}(a) > P_{\{a,b,b'\}}(a) + P_{\{a,b,b'\}}(b')$ , which implies (5). Similarly, eliminating  $P_{\{a,b,a'\}}(a)$  gives  $P_{\{a,b,b'\}}(b) > P_{\{a,b,a'\}}(b) + P_{\{a,b,a'\}}(a')$ , which implies (6).

Table 4 shows examples of all patterns of ternary-ternary (3-3) and binary-ternary (2-3) similarity effects that we have not just ruled out. Each row gives one example. In all examples, the binary choice probabilities are  $p_{ab} = p_{ba} = \frac{1}{2}$ . The first column indicates whether the 3-3 effect occurs or not. The second column gives the status of the two 2-3 effects; in each case, there is either no effect, a weak effect (understood here to mean only a weak effect and not a strong effect) and a strong effect. The third and fourth columns specify the probability vectors  $P_{\{a,b,a'\}}(\cdot)$  for the various examples: the third column gives numerical values of the choice probabilities of  $a$ ,  $b$  and  $a'$ , respectively, as a triple; the fourth column gives the label identifying the point  $P_{\{a,b,a'\}}(\cdot)$  in Barycentric coordinates in Figure 9, with the vertex on the right identified with the point  $a'$ . Similarly, the fourth and fifth columns specify  $P_{\{a,b,b'\}}(\cdot)$ . Here, the Barycentric coordinates are for  $P_{\{a,b,b'\}}(\cdot)$  and the

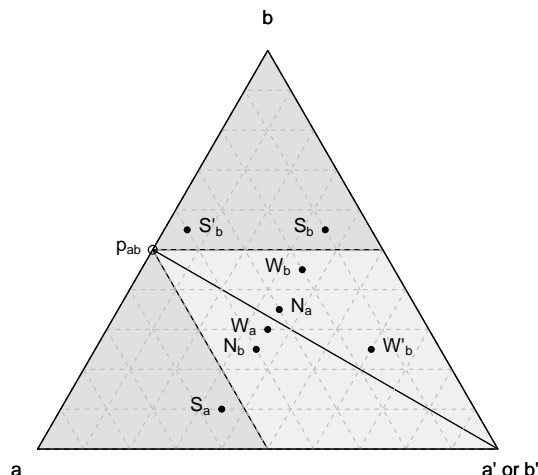
vertex on the right is identified with the point  $b'$ .

In addition to illustrating the values of  $P_{\{a,b,a'\}}(\cdot)$  and  $P_{\{a,b,b'\}}(\cdot)$  in the various examples, Figure 9 also illustrates cross-sections of the various binary-ternary effect regions, for the fixed binary probability  $p_{ab} = \frac{1}{2}$ . A strong effect occurs for the  $a'$  decoy when  $P_{\{a,b,a'\}}(\cdot)$  is in the dark triangle containing  $S_a$  and  $S'_a$ ; a strong effect occurs for the  $b'$  decoy when  $P_{\{a,b,b'\}}(\cdot)$  is in the dark triangle containing  $S_b$ . A weak effect occurs for the  $a'$  decoy when  $P_{\{a,b,a'\}}(\cdot)$  is in the light triangle containing  $W_a$  and  $W'_a$ ; a weak effect occurs for the  $b'$  decoy when  $P_{\{a,b,b'\}}(\cdot)$  is in the light triangle containing  $W_b$ .

3-3	2-3	$P_{\{a,b,a'\}}(\cdot)$	label	$P_{\{a,b,b'\}}(\cdot)$	label
yes	2 strong	(0.55, 0.10, 0.35)	$S_a$	(0.10, 0.55, 0.35)	$S_b$
yes	1 strong, 1 weak	(0.35, 0.30, 0.35)	$W_a$	(0.10, 0.55, 0.35)	$S_b$
yes	1 strong	(0.30, 0.35, 0.35)	$N_a$	(0.10, 0.55, 0.35)	$S_b$
yes	2 weak	(0.35, 0.30, 0.35)	$W_a$	(0.20, 0.45, 0.35)	$W_b$
yes	1 weak	(0.30, 0.35, 0.35)	$N_a$	(0.20, 0.45, 0.35)	$W_b$
no	1 strong, 1 weak	(0.35, 0.30, 0.35)	$W_a$	(0.40, 0.55, 0.05)	$S'_b$
no	1 strong	(0.30, 0.35, 0.35)	$N_a$	(0.40, 0.55, 0.05)	$S'_b$
no	2 weak	(0.35, 0.30, 0.35)	$W_a$	(0.15, 0.25, 0.60)	$W'_b$
no	1 weak	(0.30, 0.35, 0.35)	$N_a$	(0.15, 0.25, 0.60)	$W'_b$
no	no effect	(0.30, 0.35, 0.35)	$N_a$	(0.40, 0.25, 0.35)	$N_b$

**Table 4**

*Examples of all possible combinations of ternary-ternary (3-3) and binary-ternary (2-3) similarity effects. In all examples,  $p_{ab} = p_{ba} = \frac{1}{2}$ . The 3-3 effect is either present (yes in first column) or not (no). The two 2-3 effects can be both strong, one strong and one weak, one strong, two weak, one weak or both absent. Label refer to the labels of points in Figure 9 specifying  $P_{\{a,b,a'\}}(\cdot)$  (column four) or  $P_{\{a,b,b'\}}(\cdot)$  (column six).*



**Figure 9**

Points representing  $P_{\{a,b,a'\}}(\cdot)$  or  $P_{\{a,b,b'\}}(\cdot)$  in the various examples of Section Theorems relating binary-ternary and ternary-ternary context effects. The labels of points in this figure correspond to the labels in Table 4.

### Theorems related to the compromise effect

We have seen that random utility is compatible with the weak one- and two-sided compromise effects. However, Tversky and Simonson (1993) show that a random preference satisfying a theoretically compelling *ranking* condition is incompatible with the weak one- and two-sided compromise effects.

In this discussion, we take  $T \equiv \{x, y, z\}$  as a fixed subset of objects in the master set  $U$ . The ranking condition is as follows:

**Definition 9 (Tversky and Simonson, 1993)** *The random preference model  $\succ$  on  $U$  satisfies the ranking condition if  $x|y|z$  implies*

$$\frac{\Pr[z \succ y \succ x]}{\Pr[z \succ x \succ y]} \geq \frac{P_T^{(\succ)}(y)}{P_T^{(\succ)}(x)} = \frac{\Pr[y \succ x \succ z] + \Pr[y \succ z \succ x]}{\Pr[x \succ y \succ z] + \Pr[x \succ z \succ y]}, \quad (11)$$

whenever the two denominators are both non-zero. The inequality in (11) is part of the definition of the ranking condition; the equality is true by the definition of  $P_T^{(\succ)}(\cdot)$ , whether or not the ranking condition holds.

The ranking condition is equivalent to the condition that when  $y$  is between  $x$  and  $z$ , the conditional probability of the event  $y \succ x$  given that  $z$  is ranked first is at least as great as the conditional probability of  $y \succ x$  given that  $z$  is not ranked first. To see this, apply the transformation  $f(x) = x/(1+x)$  on  $[0, \infty)$ , which is strictly increasing and maps  $a/b$  to  $a/(a+b)$ , to the extreme left and right hand sides of (11). The transformed left-hand side is the first conditional probability and the transformed right-hand side is the second.

The plausibility of the ranking condition, for  $y$  between  $x$  and  $z$ , is clearest when  $y$  either is or vector-dominates a convex combination of  $x$  and  $z$  in attribute space. We conjecture that in this case, many readers would consider counter-intuitive any preference order where  $y$  is ranked last in  $\{x, y, z\}$ ; no preference over the attribute space satisfying both monotonicity and strict convexity can rank  $y$  last in  $\{x, y, z\}$ .

Random preference and the ranking condition together imply the following between-ness inequality.

**Definition 10 (Tversky and Simonson, 1993)** *A RCS  $P$  on  $U$  satisfies the between-ness inequality if*

$$x|y|z \Rightarrow p_{yx} \geq \frac{P_T(y)}{P_T(y) + P_T(x)}. \quad (12)$$

**Theorem 1 (Tversky and Simonson, 1993)** *Let  $\succ$  be a random preference on  $U$ . Then if the ranking condition holds,  $P^{(\succ)}$  satisfies the between-ness inequality.*

Note that the set of RCSs satisfying (12) is the complement of the effect region of the two-sided weak compromise effect. Recall also the symmetry of the between-ness relation:  $x|y|z$  implies  $z|y|x$ . Thus if  $x|y|z$  and the random preference  $\succ$  satisfies the ranking condition and then we have not only (12) but also, through  $z|y|x$ ,  $p_{yz} \geq P_T(y)/(P_T(y) + P_T(z))$ . Together, these two conditions are precisely the condition that there is no one- or two-sided weak compromise effect.

## Discussion and Recommendations

We began this article by arguing for more precision in communicating theoretical and empirical results about context effects, to establish better consensus about these effects. At least some of what has been labeled “fragile” (Trueblood et al., 2015) and “elusive” (Spektor et al., 2021) in terms of context effects might stem from communication issues about what each context effect means, and what types of experimental designs are appropriate to learn about them. We advocated for precision in (at least) six important dimensions when describing context effects. Here, we will recapitulate those dimensions and discuss how our results support the need for precision. Where possible, we will also provide some practical recommendations for researchers interested in studying context effects.

First, as with many other decision domains in psychology (e.g., Davis-Stober et al., 2016), an important distinction when discussing context effects is whether the effect occurs for individual or aggregate choice probabilities. The seminal papers defined the similarity effect in terms of individual choice probabilities, the compromise effect in terms of aggregate (over participants) choice probabilities, and the asymmetric dominance effect for both. Since then, context effects have been defined more flexibly. We have shown in this manuscript that the weak binary-ternary effects have very different aggregation properties from the convex effects, namely the strong binary-ternary effects (similarity, compromise and asymmetric dominance) and the ternary-ternary effects. Caution is recommended when making claims relating individual and population weak binary-ternary effects. The occurrence of an aggregate effect, even if two-sided, does not imply the existence of even one individual with even a one-sided effect: Figure 7 gives a counterexample. Similarly, the occurrence of two-sided effects in every individual in a population does not imply that there is even a one-sided aggregate effect: here, Figure 6 gives a counterexample. We also recommend that, where possible, tests for context effects be performed and reported at both the individual and group levels.

Second, we recommend that researchers consistently define and refer to context

effects as either strong, such as the compromise effect in Simonson (1989) or weak, as in the compromise effect in Tversky and Simonson (1993). For example, it is important to avoid defining context effects in their strong form in the opening slides of a conference presentation and then cite, as evidence for the effect, studies finding only a weak effect. As our results show, although strong and weak effects center on the same theoretical ideas, they have completely different implications about whether those effects are compatible with regularity, and by extension, random utility (see Table 2). And as we have seen, weak and strong binary-ternary effects also have different aggregation properties.

Third, we recommend that researchers be clear about defining weak binary-ternary effects as one-sided or two-, and careful that their statistical analyses, including the specification of alternative hypotheses, are consistent with the definitions. Figures 3 and 4, show that for a test of the constant ratio rule hypothesis, the alternative hypothesis based on the two-sided effect (dark region) is considerably smaller than the alternative hypothesis based on any effect (dark and light regions together), which in turn is not much different from the alternative hypothesis that consists of any violation of the constant ratio rule. Tversky (Tversky, 1972a) predicted that a two-sided context effect would occur (i.e., both Equations 3 and 4 would hold), but many experiments, including most of those reported in his paper, demonstrate only a one-sided effect.

Fourth, we recommend that researchers be clear about whether a context effect is predicted to occur in a given context, or whether the context effect is simply possible. The former is a stronger claim, although the simple occurrence of a context effect is relevant if it constitutes evidence against some choice property.

Fifth, we recommend that researchers clarify how preconditions of their context effects are defined (whether in terms of regions of an attribute space or otherwise) and how they relate to definitions used by other researchers. This is particularly important where many different effects are being investigated: as we seen, context effects can be in conflict when two similar choice objects are also feature in a dominance relation or a between-ness



relation, together with a third choice object. It is important for the research community to establish a set of basic and objective criteria when evaluating choice relations.

Sixth, researchers should be clear about whether the effects they wish to study are binary-ternary or ternary-ternary. In the seminal papers, context effects are binary-ternary. These context effects occur when the presence of a third option significantly alters the choice probabilities of the other two options (a ternary set) relative to the choice probabilities observed for those two options studied in isolation (a binary set). Although the binary-ternary and ternary-ternary effects are related, they do have different implications for whether they are compatible with different decision rules, such as simple scalability and regularity (see Table 2). In addition, the (non-convex) weak binary-ternary and (convex) ternary-ternary effects have different aggregation properties. Finally, our results provided clarity on the relationship between binary-ternary and ternary-ternary effects. We can say that if a ternary-ternary effect occurs, then at least one one-sided weak binary-ternary effect must also occur; and if both strong binary-ternary effects occur, then the ternary-ternary effect must also occur. However, any pattern not ruled out by these two results is possible.

## Conclusions

We presented a comprehensive guide to three common context effects: similarity, compromise, and asymmetric dominance. We presented precise definitions for different versions of these effects and how they relate to standard properties of choice, such as regularity. Our guide is ‘illustrated’ in the sense that it offers graphical comparisons of how these context effects, and related choice properties, constrain choice probabilities. This offers a concrete way to think about parsimony when developing theories and empirical tests. We also summarized existing theorems on these context effects as well as offering a series of new theoretic results.

Our consideration of context effects focused exclusively on systems of choice

probabilities. In other words, the probability of selecting one alternative from a set was treated as a primitive, without requiring the choice probabilities to be generated by a model of multi-alternative, multi-attribute choice. Future work could explore how the definitions and results we've provided interact with and/or constrain prominent models of multi-alternative, multi-attribute choice. Please see Turner et al. (2018) for a comprehensive analysis of competing models of multi-alternative, multi-attribute choice under context effects (also see Trueblood, 2022, and the references therein).

All of the context effects we've considered in the current work are defined via order constraints on systems of choice probabilities. Recent advances in order-constrained statistical analysis and related software now allow researchers to test these definitions directly, without requiring an explicit model of multi-alternative, multi-attribute choice. For example, Heck and Davis-Stober (2019) provide a general Bayesian approach for evaluating choice under general linear and ordinal constraints, which includes an R (Team et al., 2013) package (also see Regenwetter et al., 2014; Zwilling et al., 2019). We also direct the reader to Katsimpokis et al. (2022) for a novel Bayesian approach for testing context effects. Future work could consider extending the approach of Katsimpokis et al. to the additional formulations we consider here.

In synthesizing the disparities in the context effects literature, Spektor et al. (2021) drew a distinction between 'deliberative models' and 'representation models.' The idea being that the observed fragility of some context effects may likely depend upon how choice alternatives are cognitively represented, perhaps independently of the process in which the representations are evaluated. Our theoretic results, and those related to random utility in particular, may be useful in further exploring how deliberative formulations may or may not lead to context effects, depending upon the nature of the stimuli representation.

In the present work, we identified multiple discrepant context effect definitions, such as weak versus strong effects, 2-3 versus 3-3 comparisons, and the implications thereof. Future work could consider a broader meta-analysis of the empirical literature on context

effects, examining which definitions were used, whether the analyses were individual or population-based, and the resulting consequences for prominent multi-alternative, multi-attribute models of choice.

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