ONLINE ISSN : 1349-6778
PRINT ISSN : 1349-6786

The Kyoto Economic Review
Vol. 75 (2006) , No. 2 pp.151-160

[PDF (102K)] [References]

Increase in Risk and Comparative Static Analysis

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Abstract: In this paper we discuss signing of comparative statics analysis under uncertainty. We define change of risk by a mean preserving simple transformation (abbrev. MPST) of random variables. We show that the signs of the partial derivatives of pay-off functions do not uniquely determine the signs of comparative statics effects of an increase of risk in the sense of MPST.

Keywords: comparative statics; MPST (Mean Preserving Simple Transformation); uncertainty

[PDF (102K)] [References]

To cite this article:

Tatsuhiko Nariu and Hideki Iwaki; "Increase in Risk and Comparative Static Analysis", *The Kyoto Economic Review*, Vol. **75**, pp.151-160 (2006) .

JOI JST.JSTAGE/ker/75.151