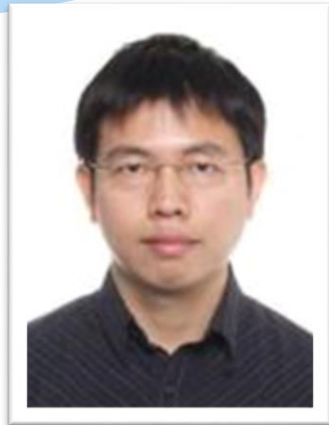


Seminar

“Intertemporal Consumption with Risk: A Revealed Preference Analysis”

(in English)



Professor Zhong Songfa
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Department of Economics
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Abstract:

Many important economic decisions involve agents choosing among risky consumption streams. The canonical way of representing preferences is known as the discounted expected utility (DEU) model, which is additive across both dates and states. Despite its advantage of simplicity, DEU has a strong implication: the coefficient of relative risk aversion is the reciprocal of that of intertemporal substitution. Departing from DEU, alternative models have been proposed by dispensing with either separability across states or separability across time. In this paper, we report a new experiment that was designed to elicit preferences of subjects over risky consumption streams and apply revealed preference methods to test these alternative hypotheses. Our results broadly support the separation of preferences across states but **not** across time. Furthermore, restricting the sub-utility function (defined over intertemporal consumption) to be the same in the two states and to display positive time preference is also consistent with the data.

Date: 21 February 2017 (Tuesday)

Time: 4:30pm – 6:00pm

Venue: WYL314, Dorothy Y. L. Wong Building

Biography:

Zhong Songfa is an assistant Professor at the National University of Singapore. He uses a wide range of methodologies from behavioral economics and experimental economics to genetics and neuroscience to conduct research on decision making, encompassing theory, experiment, and application. The bulk of his research work has concentrated on the inquiry on decision making in three main categories: (i) model-based experimental studies of decision making; (ii) the genetic basis of decision making; (iii) applications to labor economics. He has published in well regarded journals such as American Economic Review, Econometrica and Management Science, as well as more biology-oriented ones including Proceedings of the National Academy of Sciences, Neuron, Proceedings of the Royal Society B Biological Sciences, and Neuroimage. Zhong received his Ph.D in economics from the Hong Kong University of Science and Technology in 2009.

All Are Welcome

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