

**Table 1** Definitions and Comparisons of Conditions

| Perfect Foresight Versions  | Uncertainty Versions  |
|---|---|
| Finite Human Wealth Condition (FWHC)  |   |
| $\Gamma/R < 1$<br>The growth factor for permanent income $\Gamma$ must be smaller than the discounting factor $R$ for human wealth to be finite.  | $\Gamma/R < 1$<br>The model's risks are mean-preserving spreads, so the PDV of future income is unchanged by their introduction.  |
| Absolute Impatience Condition (AIC)   |   |
| $\mathbf{P} < 1$<br>The unconstrained consumer is sufficiently impatient that the level of consumption will be declining over time:<br>$c_{t+1} < c_t$  | $\mathbf{P} < 1$<br><i>If wealth is large enough, the expectation of consumption next period will be smaller than this period's consumption:</i><br>$\lim_{m_t \rightarrow \infty} \mathbb{E}_t[c_{t+1}] < c_t$   |
| Return Impatience Conditions  |   |
| Return Impatience Condition (RIC)   | Weak RIC (WRIC)   |
| $\mathbf{P}/R < 1$<br>The growth factor for consumption $\mathbf{P}$ must be smaller than the discounting factor $R$ , so that the PDV of current and future consumption will be finite:<br>$c'(m) = 1 - \mathbf{P}/R < 1$    | $\wp^{1/\rho} \mathbf{P}/R < 1$<br>If the probability of the zero-income event is $\wp = 1$ then income is always zero and the condition becomes identical to the RIC. Otherwise, weaker.<br>$c'(m) < 1 - \wp^{1/\rho} \mathbf{P}/R < 1$                              |
| Growth Impatience Conditions  |   |
| PF-GIC  | GIC   |
| $\mathbf{P}/\Gamma < 1$<br>Guarantees that for an unconstrained consumer, the ratio of consumption to permanent income will fall over time. For a constrained consumer, guarantees the constraint will eventually be binding. | $\mathbf{P} \mathbb{E}[\psi^{-1}]/\Gamma < 1$<br>By Jensen's inequality, stronger than the PF-GIC.<br>Ensures consumers will not expect to accumulate $m$ unboundedly.<br>$\lim_{m_t \rightarrow \infty} \mathbb{E}_t[m_{t+1}/m_t] = \mathbf{P}_{\underline{\Gamma}}$ |
| Finite Value of Autarky Conditions  |   |
| PF-FVAC   | FVAC  |
| $\beta \Gamma^{1-\rho} < 1$<br>equivalently $\mathbf{P}/\Gamma < (R/\Gamma)^{1/\rho}$<br>The discounted utility of constrained consumers who spend their permanent income each period should be finite.                       | $\beta \Gamma^{1-\rho} \mathbb{E}[\psi^{1-\rho}] < 1$<br>By Jensen's inequality, stronger than the PF-FVAC because for $\rho > 1$ and nondegenerate $\psi$ , $\mathbb{E}[\psi^{1-\rho}] > 1$ .  |