beginCDC

CDC Private Version

endCDC

This handout illustrates the logic of precautionary saving by assuming that individuals face only a single, simple kind of uncertainty: A small risk of becoming permanently unemployed. More realistic assumptions yield similar conclusions (after much more work).[1]

[1] The model simplifies many of the key results in **?** and **?** using a discrete-time version of the elegant continuous-time model of **?**. For a brief summary of the precautionary saving literature, see **?**; for a more rigorous treatment of the theoretical issues, see **?**.