

Comparative Impatience with Random Discounting*

Youichiro Higashi, Kazuya Hyogo, Norio Takeoka, and Hiroyuki Tanaka†

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Abstract

This paper seeks an appropriate notion of impatience under the random discounting model, where an agent is uncertain about her future discount factors. We formulate impatience of preference relation on menus and characterize this by using the monotone likelihood ratio order (MLR). To examine the behavioral implication of this notion, we take the flexibility model of Goldman (1974) as an example and verify MLR guarantees the comparative statics conclusion while first order stochastic dominance (FSD) does not. These results on FSD and MLR suggest that a shift of random discounting with respect to MLR captures impatience of the consumer more appropriately.

Keywords: preference for flexibility, comparative impatience, random discounting, monotone likelihood ratio order, monotone comparative statics.

JEL classification: D11, D81, D91.

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†Higashi is at the Faculty of Economics, Okayama University, Okayama, Japan, higashi@e.okayama-u.ac.jp; Hyogo is at the Faculty of Economics, Ryukoku University, 67 Fukakusa Tsukamoto-cho, Fushimi-ku, Kyoto 612-8577, Japan, hyogo@econ.ryukoku.ac.jp; Takeoka is at the Faculty of Economics, Yokohama National University, 79-3 Tokiwadai, Hodogaya-ku, Yokohama 240-8501, Japan, takeoka@ynu.ac.jp; Tanaka is at the graduate school of economics, Kyoto university, tanaka.hiroyuki@fw5.ecs.kyoto-u.ac.jp.