

Measuring Economic Insecurity

Walter Bossert

Department of Economics and CIREQ, University of Montreal
walter.bossert@umontreal.ca

Conchita D'Ambrosio

Universit`a di Milano-Bicocca, DIW Berlin and Econpubblica, Universit`a Bocconi
conchita.dambrosio@unibocconi.it

Abstract. We provide an axiomatic treatment of the measurement of economic insecurity, assuming that individual insecurity depends on the current wealth level and its variations experienced in the past. Current wealth could also be interpreted as incorporating the individual's evaluation of future prospects. Variations in wealth experienced in the recent past are given higher weight than experiences that occurred in the more distant past. Two classes of measures are characterized with sets of plausible and intuitive axioms. Journal of Economic Literature Classification No.: D63.

Keywords: Insecurity, Wealth Streams, Social Index Numbers.