Measuring Economic Insecurity

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Weprovideanaxiomatictreatmentofthemeasurementofeconomicinsecurity, assuming that individual insecurity depends on the current wealth level and its variations experienced in the past. The wealthier an individual is, the bigger the buffer stock he can rely on in case of an adverse future event. Past gains and losses determine the confidence an individual has today on his ability to overcome a loss in the future. The higher is the number of successes experienced in the past, the higher the self-confidence an individual has in facing his future life. Experiences 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.

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