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Risk and Saving in Two-Person Households: More Scope for Precautionary Saving

by Patricia Apps, Yuri Andrienko, Ray Rees
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Abstract:

The existing literature suggests that when the saving decision of two-earner households under risk is analysed, standard results on the existence of precautionary saving no longer apply: precautionary saving is obtained if and only if very stringent conditions hold. This paper shows that when the two-earner household's saving decision is formulated more generally, standard assumptions suffice for precautionary saving to exist under increases in risk of the first and second orders, but not for higher orders.

Text: See [Discussion Paper No. 6824](#)



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