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Titolo	Economics of Pessimism and Optimism [[electronic resource]] : Theory of Knightian Uncertainty and Its Applications / / by Kiyohiko G. Nishimura, Hiroyuki Ozaki
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Descrizione fisica	1 online resource (XX, 326 p. 12 illus. in color.)
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Nota di bibliografia	Includes bibliographical references and index.
Nota di contenuto	1 Overall Introduction -- 2 Mathematics for Reading Later Chapters -- 3 Decision-Theoretic Foundations of Knightian Uncertainty -- 4 Portfolio Inertia -- 5 Equilibrium Indeterminacy in Arrow-Debreu Economy with Knightian Uncertainty -- 6 Monetary Equilibria and Knightian Uncertainty -- 7 Dynamic Programming -- 8 Dynamic Asset Pricing -- 9 Search and Knightian Uncertainty -- 10 Irreversible Investment and Knightian Uncertainty -- 11 Liquidity Preference and Knightian Uncertainty -- 12 A Simple Characterization of Pessimism and Optimism: e-Contamination Versus e-Exuberance -- 13 Persistent Pessimism and Optimism in Forecasts: Implicit Means and Law of Iterated Integrals -- 14 Learning Under Knightian Uncertainty -- 15 Areas of Further Research -- Appendix Proofs of Lemmas and Theorems -- Index.
Sommario/riassunto	This is the first book to investigate the pessimistic and optimistic perceptions of the future and their economic consequences, based on sound mathematical foundations. The book focuses on fundamental uncertainty (Knightian uncertainty), where the probability distribution governing uncertainty is unknown, and it provides the reader with methods to formulate how pessimism and optimism act in an economy in a strict and unified way. After presenting decision-theoretic foundations for prudent behaviors under Knightian uncertainty, the book applies these ideas to economic models that include portfolio

inertia, indeterminacy of equilibria in the Arrow-Debreu economy and in a stochastic overlapping-generations economy, dynamic asset-pricing models, search, real options, liquidity preferences, and learning. The book also includes characterizations of pessimistic (-contaminated) and optimistic (-exuberant) behaviors under Knightian uncertainty and the persistence of human pessimism (surprise aversion) and optimism (surprise affinity). These characterizations are shown to be useful in understanding behaviors that were observed during the global financial crisis and its aftermath. This book is highly recommended not only to researchers wanting to understand the mechanism of how pessimism and optimism affects economic phenomena, but also to policy-makers contemplating effective economic policies that delicately hinge upon the mindsets of people in the market.
