

Problem Set 2

Question (i) (for grade)

Let S be a finite set of states, and consider two assets $X, Y : S \rightarrow \mathbb{R}$. For $P \in \Delta(S)$, write P_X and P_Y for the distributions of X and Y under P , respectively. Show that the following statements are equivalent:

- For every $P \in \Delta(S)$, P_X FOSD P_Y .
- $X \geq Y$.

Moreover, find $P \in \Delta(S)$ and assets X and Y such that P_X FOSD P_Y but $X \not\geq Y$.

Question (ii)

Question 2 from 2014 pset2.

Question (iii)

Question 3 from 2014 pset2.

Question (iv)

Question 3 from 2014 pset3.

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