PRSE
Potsdam Research
Seminar in Economics

ABSTRACT:

LIQUIDITY CONSTRAINTS AND BUFFER STOCK SAVINGS: THEORY AND EXPERIMENTAL EVIDENCE

DR. ANDREAS ORLAND

UNIVERSITY OF POTSDAM

10 December 2019 from 02.00-04.00 p.m.
Campus Griebnitzsee, house 1, room 2.31
August-Bebel-Str. 89, 14482 Potsdam

A workhorse model in theoretical and empirical analyses of consumption is the buffer stock savings model (Deaton, 1991; Besley, 1995; Carroll, 1997). One reason for buffer stock savings are liquidity constraints. However, the role played by liquidity constraints in buffer stock savings behavior is difficult to evaluate in the field. Thus, in this project, we present an experimental test of a three-period saving/consumption model where the liquidity in the second period is constrained. We contrast this model with the unconstrained version of the model while we also control the variance of the income stream in a high and a low variance treatment. We present the theory underlying our experiments, derive hypotheses, show our experimental design and present preliminary results.

(with John Duffy)