SÉMINAIRE

COMPARATIVE STATICS WITH LINEAR OBJECTIVES: NORMAL DEMAND, MONOTONE MARGINAL COSTS, AND RANKING MULTI-PRIOR BELIEFS

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Lemma - Salle Maurice Desplas (4 rue Blaise Desgoffe, 75006 Paris)

Séminaire du LEMMA

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We formulate a set order on constraint sets which guarantee that linear objective functions on these sets have solutions that vary monotonically in the product order as the constraint set changes with respect to this set order. Using this result, we characterize the utility/production functions that exhibit complementarity/substitutability in factor demand, normality in factor demand, and marginal costs that increase with factor prices. In the context of decision-making under uncertainty, our new set order leads to natural generalizations of first order stochastic dominance in multi-prior models.

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