Questions for seminar 2:

1. Explain the concept of risk aversion in words and with the help of a figure. Construct an example showing that insurance may be beneficial if agents are risk averse.
2. Please solve the following questions from chapter 15 in Ray (pages 617-619):

2, 5, 6, 7.

1. The whole group, i.e. not only those presenting the answers to the questions above should think about questions 1 and 3 as these will be discussed if time allows for it.