Real Indeterminacy of Stationary Monetary Equilibria in Centralized Economy

Kazuya Kamiya∗, So Kubota† and Kayuna Nakajima‡
June, 2010

Abstract

In this paper, we show that, in a class of dynamic general equilibrium (Walrasian) model with fiat money, stationary equilibria are indeterminate; that is, there exists a continuum of stationary equilibria, where the value of money varies across stationary equilibria. Moreover, we explore the logic of the indeterminacy.

Keywords: real indeterminacy, divisible money, dynamic general equilibrium
Journal of Economic Literature Classification Number: D51, E40

∗Faculty of Economics, University of Tokyo, Bunkyo-ku, Tokyo 113-0033 JAPAN (E-mail: kkamiya@e.u-tokyo.ac.jp)
†Graduate School of Economics, University of Tokyo
‡Graduate School of Economics, University of Tokyo