

On the Existence of a Monetary Equilibrium with ambiguity without tight expectations and without Clower constraint

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Abstract

This paper shows the existence of a monetary equilibrium in the temporary equilibrium model without either uniform tightness of the set of probabilities on the next term prices or Clower constraint. We consider the ambiguity situation where there is insufficient information available for the consumers to assign probabilities to relevant events and employ the ambiguity averse in the savage type domain. We take the non-expected utility approach in which the belief of a decision maker is represented only by a set of probabilities rather than a single one and the worst probability is used in solving the utility maximization problem.