

General Equilibrium Model for an Asymmetric Information Economy

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Abstract

This paper's main purpose is to introduce a new concept of the market's *commodity-information structure* (a partition of the set of real goods that are treated as one commodity for market exchanges) on which we base our ordinary *static* general equilibrium arguments and settings to analyze asymmetric information problems. We concentrate on the *market viability problem* that is concerned with describing such situations as adverse selection under informational asymmetry among agents as an equilibrium in general equilibrium frameworks. The market equilibrium-existence conditions, non-equilibrium-existence examples, and Pareto-optimal equilibrium-properties are studied.

Keywords: General Equilibrium Model, Asymmetric Information, Adverse Selection, Market Unraveling, Market Viability Problem

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