

# General Equilibrium Model for an Asymmetric Information Economy

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## Abstract

The main purpose of this paper is to introduce a new concept of the *commodity-information structure of the market* (a partition of the set of real goods that are treated as one commodity for market exchange) on which we are able to base our ordinary *static* general equilibrium arguments and settings to analyze the asymmetric information problems. We mainly treat the *market viability problem* concerning how to describe 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-property are studied.

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

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