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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