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Credit market segmentation, essentiality of commodities, and supermodularity

Marta Faias, Juan Pablo Torres-Martínez

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CREDIT MARKET SEGMENTATION, ESSENTIALITY OF COMMODITIES, AND SUPERMODULARITY

MARTA FAIAS AND JUAN PABLO TORRES-MARTÍNEZ

Abstract. We consider incomplete market economies where agents are subject to price-dependent trading constraints compatible with credit market segmentation. Equilibrium existence is guaranteed when either commodities are essential, i.e, indifference curves through individuals' endowments do not intersect the boundary of the consumption set, or utility functions are concave and supermodular. The smoothness of mappings representing preferences, financial promises, or trading constraints is not required. Hence, we may include in our framework economies where ambiguity is allowed and agents maximize the minimum expected utility over a set of priors, or where markets include non-recourse collateralized loans.

Keywords. Credit Market Segmentation - Essential Commodities - Supermodularity
JEL Classification. D52, D54.

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Marta Faias
Universidade Nova de Lisboa, FCT and CMA, Portugal
e-mail: mcm@fct.unl.pt

Juan Pablo Torres-Martínez
Department of Economics, Faculty of Economics and Business, University of Chile
e-mail: juan.torres@fen.uchile.cl.

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