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The veto mechanism in atomic differential information economies*

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Abstract: We establish new characterizations of Walrasian expectations equilibria based on the veto mechanism in the framework of differential information economies with a complete finite measure space of agents. We show that it is enough to consider the veto power of a single coalition, consisting of the entire set of agents, to obtain the Aubin private core. Moreover, we investigate on the veto power of arbitrarily small and big coalitions, providing an extension to mixed markets of the well known Schmeidler [25] and Vind's [27] results in terms of Aubin private core allocations.

Keywords: Aubin core, Core-Walras equivalence, Mixed markets, Veto mechanism, Walrasian equilibrium.

1 Introduction

The aim of this paper is to investigate on the veto mechanism in differential information economies with a finite number of states of nature and a measure space of agents that may have atoms, when some restrictions on admissible coalitions are imposed. From the mathematical point of view, an atom is a subset of the space of agents with strictly positive measure containing no proper subsets with strictly positive measure and it is typically used to represent an economic individual concentrating in his hands a large initial ownership compared with the total market endowment. Even if the initial resources are spread over a continuum of small traders, it could be the case that some of them decide to act only together, as a single individual, without the possibility to form proper subgroups. This scenario, still represented via atoms, includes cartels, syndicates and other form of institutional agreements. It is well known that the presence of non negligible traders causes a lack of perfect competition and consequently the failure in the Core-Walras Equivalence Theorem.

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