

General equilibrium with endogenous trading constraints

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© 2018 Cea-Echenique, Torres-Martínez. This is an open access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. In a competitive model where agents are subject to endogenous trading constraints, we make the access to financial trade dependent on prices and consumption decisions. Our framework is compatible with the existence of both credit market segmentation and market exclusion. In this context, we show equilibrium existence in two scenarios. In the first one, individuals can fully hedge the payments of segmented financial contracts by trading unsegmented assets. In the second one, it is assumed that agents may compensate with increments in present demand the losses of well-being generated by reductions of future consumption.