

Equilibrium existence in infinite horizon economies

Emma Moreno-García ·
Juan Pablo Torres-Martínez

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Abstract In sequential economies with finite or infinite-lived real assets in positive net supply, we introduce constraints on the amount of borrowing in terms of the market value of physical endowments. We show that, when utility functions are either unbounded and separable in states of nature or separable in commodities, these borrowing constraints not only preclude Ponzi schemes but also induce endogenous Radner bounds on short-sales. Therefore, we obtain existence of equilibrium. Moreover, equilibrium also exists when both assets are numéraire and utility functions are quasilinear in the commodity used as numéraire.

Keywords Equilibrium · Infinite horizon incomplete markets · Infinite-lived real assets

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E. Moreno-García
Facultad de Economía y Empresa, Universidad de Salamanca, Campus Miguel de Unamuno,
37007 Salamanca, Spain
e-mail: emmam@usal.es

J. P. Torres-Martínez
Department of Economics, University of Chile, Diagonal Paraguay 257, Santiago, Chile
e-mail: juan.torres@fen.uchile.cl