On Bilateral Barters, Core Solutions, and Market Equilibrium

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Abstract: Exchange is modelled here as iterated bilateral barters, each fairly myopic and moderate. Under weak conditions repeated trade carry the economy to market equilibrium, supported by clearing prices. A main feature is that agents, in the interim, are allowed non-admissible, possibly speculative, but sharply penalized positions. Of particular notice are instances that feature asymmetric information.

Key words: adaptive behavior, asymmetric information, bilateral barter, core solution, exact penalty, market equilibrium, marginal substitution rates, quasi-linear utility.