

Problem Set 6

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December 5, 2023

1 An exchange economy

- 1.1 Write the Planner problem and characterize the optimal allocation as a function of the Pareto weights.
- 1.2 Competitive Equilibrium. Assume that there are complete markets with time-0 trading.
 - 1.2.1 Define and compute a competitive equilibrium.
 - 1.2.2 Suppose that one of the consumers markets a derivative asset that promises to pay .05 units of consumption each period. What would the price of that asset be?