

Existence of Competitive Equilibrium with a System of Complete Prices

Julian R. A. Manning

For a model with private commodities, where consumer choice over firms is discrete, we prove that for any Pareto optimal allocation, there exists a system of complete prices and lump sum transfers between consumers and firms that will support that Pareto optimal allocation as an equilibrium. The form of complete prices required depends upon how each consumers preferences change as any consumer migrates between firms. The law of one price must, in general, be violated to support Pareto optimal allocations. Selections from the set of Pareto optimal allocations are made to prove the existence of an equilibrium.

Key words: private commodities, complete prices, non-anonymous crowding in consumption, non-anonymous crowding in production

Correspondence:

Julian R.A. Manning
Department of Business Economics
Elias Smiths vei 15,
PO Box 580
N-1301 Sandvika
Norway
Phone: 47 67 55 73 94
Fax: 47 6755 76 75
Julian.Manning@bi.no.