

# Pareto improving price regulation when the asset market is incomplete

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Working Paper No. 01-31

Department of Economics, Brown University

September, 2001

## Abstract

When the asset market is incomplete, competitive equilibria are constrained suboptimal, and there is scope for Pareto improving interventions. Price regulation, which operates anonymously, on market variables, can be such a Pareto improving policy, even when the welfare effects of rationing are taken into account.

Key words: incomplete asset market, fix-price equilibria, Pareto improvement.

JEL classification numbers: D45, D52, D60.

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