

Bewley-Style Model with an Indivisible Good and a Continuum of Agents

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Abstract

This paper proposes a Bewley-Style model with an indivisible good and a continuum of agents. The agents choose the saving amount, the consumption of a divisible good, and the consumption of an indivisible durable good to maximize the total expected utility of infinite time periods. Agents are faced with borrowing constraints and endowment shocks. This paper is based on the stationary equilibria model from Miao (2002). The existence of stationary equilibria is proved using Kakutani's fixed point theorem, where the aggregate demand is given by the Feldman-Gilles construction (Feldman and Gilles (1985)).