

# Stability of equilibrium and market segmentation

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## **Resumo/Abstract:**

Markets are segmented into submarkets that are assumed to reach their own partial equilibrium almost instantaneously. Starting from an arbitrary global market price system, the various submarkets determine a collection of partial equilibrium prices that define a new and generally different global price system. Substituting that new value to the old market price system defines a dynamical system that reflects the dynamic impact of market segmentation on prices. Under the assumptions of the paper, the fixed points of that dynamical system are the Walrasian equilibria. Nevertheless, this dynamical system is different from Walras tatonnement. Stable equilibria for that dynamics are then characterized. It is shown in particular that the equilibria whose Jacobian matrix of aggregate demand satisfies a form of diagonal dominance remain stable for any segmentation of the global market.