“Generic Virtual Determinacy Among Overlapping Generations”

Jonathan Burke
University of Indiana – Purdue University Indianapolis (UIPUI)

We reappraise the significance of indeterminacy in overlapping-generations models. In any of Gale’s examples of locally-indeterminate (non-locally-unique) equilibrium, for instance, judiciously splitting each of Gale’s goods into 2 close substitutes restricts that indeterminacy to each period's distribution of consumption between those substitutes. In particular, prices, interest rates, and utility levels are now determinate. Equilibrium is thus virtually determinate (virtually locally unique), and some forecasting and comparative-statics policy applications are now possible. Virtual determinacy is robust to further splitting goods, and is thus generic, holding for each economy in some open-dense set in an appropriate topological space.