Existence of Equilibrium in an Incomplete

Market Model with Endogenous Labor Supply

Shenghao Zhu[*]

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Abstract

This paper generalizes the results of Marcet, Obiols-Homs and Weil (2003) and proves the existence of equilibrium of an Aiyagari model with endogenous labor supply. The main contributions are: 1). I find a sufficient condition to guarantee that there is an upper bound for the asset accumulation when $\beta R < 1$, 2). I prove the existence and uniqueness of

the stationary distribution for asset when $\beta R < 1$ with more general utility assumptions and more general labor productivity shocks than the previous literature, and 3). I prove the existence of the stationary general equilibrium in an incomplete market model with endogenous labor supply.