Commodity Money and Multilateral Meetings

R. de O. Cavalcanti and D. Puzzello
EPGE/FGV and University of Kentucky

Abstract

This paper is a first step towards a better understanding of the role of multilateral meetings in modern monetary models. We apply the implementability approach to a model à la Lagos and Wright. In the original model, periodic access to the centralized market (i.e., one multilateral meeting encompassing the whole population) and quasilinear preferences allow agents to reoptimize their portfolios each period thus obtaining a degenerate distribution of (fiat) money holdings. It turns out that allowing agents to have periodic access to a commodity money production technology (but no fiat money) leads to the same type of result, no matter whether agents interact in a centralized market or remain unmatched (in addition to the random decentralized markets). In other words, the crucial features leading to tractability appear to be quasilinear preferences and a device that allows agents to rebalance their portfolios. Whether agents do so through centralized markets in environments with fiat money, or through the access to a commodity money technology seem not to make a substantial difference. In the second part of the paper, we extend the model by introducing multiple multilateral meetings and we analyze it under a variety of equilibrium concepts.