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**CONSTRAINED SUBOPTIMALITY AND FINANCIAL
INNOVATION IN GEI WITH A SINGLE COMMODITY**

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Abstract

In this paper we exploit *global analysis* to explore welfare properties of a standard one-commodity GEI, under different notions of constrained Pareto optimality. In a unifying framework we revise and extend some of the leading results of the literature on incomplete markets and government intervention, including those concerning *financial innovation*.

JEL Classification: D52, D60, G10.

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