PANTHÉON-ASSAS UNIVERSITÉ PARIS

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LEMMA
Laboratoire d'économie mathématique et de microéconomie appliquée

SÉMINAIRE

BREAKING UP WITH M: CASHLESS LIMITS UNDER LIMITED COMMITMENT

09 December 2025
Salle Maurice Desplas
4 rue Blaise Desgoffes 75006 Paris

The next LEMMA seminar will host Guillaume ROCHETEAU from University of California at Irvine

Guillaume is Professor of Economics at the University of California at Irvine. He will be visiting LEMMA from December 9 to January 5. His research interests lie in markets with frictions, money, liquidity, and unemployment.

Guillaume will present "Breaking Up With M: Cashless Limits Under Limited Commitment."

The abstract: As economies become increasingly cashless, what are the welfare implications of eliminating cash? We study environments where money and credit coexist but credit is constrained by limited commitment. We characterize allocations and welfare as cash use declines and when cash is removed. When credit is sustained through record keeping and the threat of exclusion, removing cash can raise debt limits and welfare. When credit is intermediated by banks with costly enforcement, welfare effects depend on market power and informational frictions: without frictions, aggregate welfare is unchanged but distributional effects arise; with asymmetries, aggregate welfare declines.