**Normative Equilibrium: The Permissible and the Forbidden as Devices for Bringing Order to Economic Environments**

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**Abstract:**

We introduce the notion of a normative equilibrium which brings harmony to "general equilibrium"- like environments.

Norms stipulate what is permissible and what is forbidden.

The main solution concept is a maximally permissive set of alternatives together with a feasible profile of optimal choices.

The norms are uniform and play a role analogous to that of price systems in competitive equilibrium and also feature an element of "fairness" since all individuals face the same choice set.

The solution concept is analysed and applied to a variety of economic settings.