On the Efficiency Concepts and Trade under Asymmetric Information [*]

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Abstract: This paper studys an exchange economy with asymmetric information. We explore the general characterizations of efficient allocations at both ex ante stage and interim stage, taking the incentive compatibility of trade into consideration. We argue that the approach used in most of the no trade results is a natural consequence of this general approach, hence our characterization results yield the no trade results.

Keywords: Efficiency; Heterogeneous prior; Asymmetric information; No trade

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