

Decentralizability of efficient allocations with heterogenous forecasts

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Do price forecasts of rational economic agents need to coincide in perfectly competitive complete markets? To address this question, we define an efficient temporary equilibrium (ETE) within the framework of a two period economy. Although an ETE allocation is intertemporally efficient and is obtained by perfect competition, it can arise without the agents forecasts being completely coordinated on a perfect foresight price. Nevertheless, it entails price forecasts delicately related with each other: we show that regardless of the number of agents, there is a one dimensional set of such Pareto efficient allocations for generic endowments.