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Review

- Allocation
- initial allocation
- feaxble allocation (individual nationality, no waste)

- an allocation is Pareto dominated — uneffizient
  Pareto dominant — effizient
  (opitimal)

(x negative) ↙ begin from transfer of asset holder.

- gain from trade. — the differene in the sum of utilities.

  Δ the meaning of definition !

Total amount of money ⇒ same in alloeation

↑ no waste.

exchange from holding of assects.

Maximize the gaining from trade

↙ most want to get the goods

M buyers $V_1 \geq V_2 \cdots \geq V_m$

N sellers $C_1 \leq C_2 \cdots \leq C_n$

↖ most want to get rid of good

Δ $M=1$ $N=2$ trade $=1$ trade = minimum (M, n)

$V_1 = 10$ $C_1 = 2$ $C_2 = 11$

gains from trade $= 8$

$(4, 2, 2)$ ⇐ eq

$0+m_b+4$ $2+m_{DI}$ $t_{s2}=2$

$\Downarrow$ $\Downarrow$

$(0+m_b-t_b$ $0+m_{DI}+t_{s1}$

$t_b=4$ $t_{s1}=4$ (units of money)

give the goods

Δ $V_1=10$ $C_1=2$ $C_2=5$

In general.

Them: Suppose there are no ties in rotuations on cost. Then in any pareto optimal in which then are in trade, the first in sellers give the asset and the first in buyers receive the asset.

Valuation ...

$V(m) = \sum_{i=1}^{m} v_i$

$C(n) = \sum_{i=1}^{n} c_i$

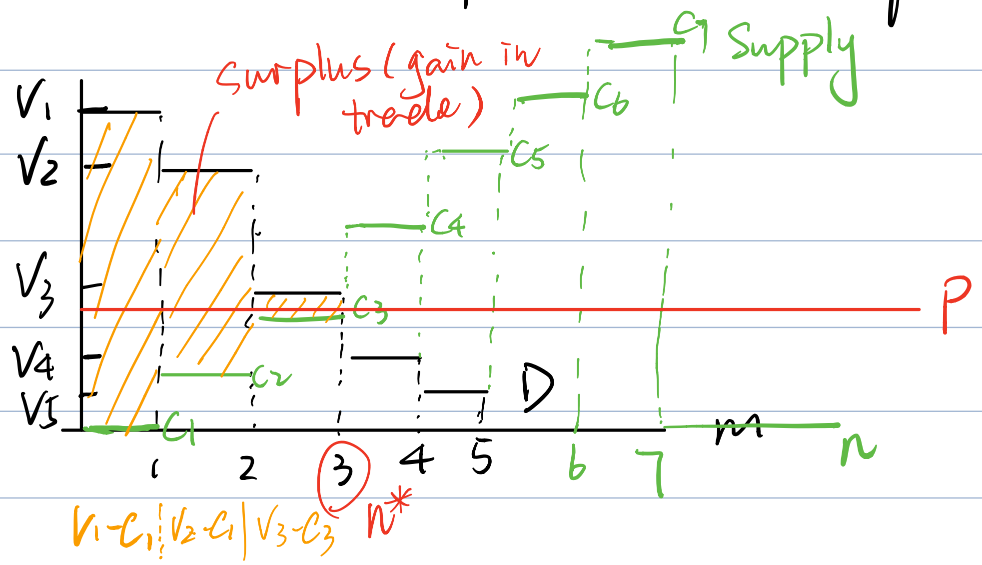
(total surplus)

$\Rightarrow TS(m) = V(m) - C(n) = \sum_{i=1}^{m}(v_i - c_i)$

(total gain from trade)

Max $TS(n) \to n^*$

under the condition of Thm, n^* is unique.



perfect Compitetion ⇒ intersaction ⇒ price.