

## Rational expectations can preclude trades

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**Abstract.** We reconsider the no trade theorem in an exchange economy where the traders have non-partition information. By introducing a new concept, rationality of expectations, we show some versions of the theorem different from previous works, such as Geanakoplos (1989). We also reexamine a standard assumption of the no trade theorem: the common prior assumption.

**Key words:** No trade theorem, Ex ante Pareto optimum, Common knowledge, Rational expectations equilibrium