Kamei, Kenju
Transfer paradox in a general equilibrium economy: an experimental investigation. (English)
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Summary: The transfer paradox, whereby a transfer of resources that influences the equilibrium price benefits the donor while harming the recipient, is a classic paradox in general equilibrium theory. This paper pursues an experimental investigation of the transfer paradox using a three-agent pure exchange economy that is predicted to have such a paradox. The results indicate that an endowment adjustment among agents influences the market price, and consequently the donors benefit from the transfer, consistent with the competitive equilibrium theory. When given an option to make a transfer, half of donor agents voluntarily decide to adjust the endowment distribution.

MSC:
91B50 General equilibrium theory
91-05 Experimental work for problems pertaining to game theory, economics, and finance

Keywords:
experiments; transfer paradox; general equilibrium; equilibrium effects

Full Text: DOI

References:

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