

Convergence of Double Auctions to Pareto Optimal Allocations in the Edgeworth Box

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Abstract

Double auctions with profit-motivated human traders as well as “zero-intelligence” programmed traders have previously been shown to converge to Pareto optimal allocations in partial equilibrium settings. We show that these results remain robust in two-good general equilibrium settings and elucidate how market structure, not optimization by traders, guides efficient resource allocation.

Keywords: *Pareto optimal allocations, Edgeworth Box, Double auction, Zero-intelligence traders*

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