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In an incomplete markets economy, after asset markets have closed, there typically exist Pareto improving asset reallocations. The question that naturally arises is: how much does a planner need to know if he is to figure out one such asset reallocation? Existing identification results (Kubler et al., 2002, or Carvajal and Riascos, 2004) require knowledge of the equilibrium manifold that may be unrealistic. If the informational requirement for finding Pareto-improving policies is implausible, market performance is not questionable on efficiency grounds.

We show here that market information in a nonstationary economy does not provide enough information for the design of Pareto-improving policies, even when these policies are likely to exist. When the information available is a set of prices and endowments, we prove that there may exist multiple rationalizations in which the welfare effects of economic policy go in opposite directions.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/news/events/lack-information-real-invisible-hand-06-july-2005