

## Comments and Discussions

Yuko ARAYAMA (荒山 裕行) \*

Professor Chang is interested in challenging and controversial question to ask whether monetary market is mostly efficient market or not.

The revelation principle asserts that incentive compatibility constraints can be replaced with the truth-telling constraint, so that each player should not be worse off by telling the truth. This DP analyzed applicability of the revelation principle when the social planner delegates his authority to implement the allocation mechanism to informationally decentralized social implementers.

After analyzing three of well formulated allocation problems, each of which being solved for the idealistic, informationally centralized and informationally decentralized economy, Professor Chang reached the following conclusion: “While the optimal allocation mechanism in the informationally decentralized economy looks similar to the first-best solution of the Arrow-Debreu economy, it is inferior even to the second-best solution. Hence it is referred as the third-best solution.”

This DP is not only providing neat survey of the related research but also giving good incite to the mechanism of the monetary market.

\* Professor, Graduate school of Economics, Nagoya University.

名古屋大学大学院経済学研究科教授