

# No Trade and Yes Trade Theorems for Heterogeneous Priors

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There is a widespread belief that because a classic theorem shows that common priors imply no trade, it follows that lack of common priors is sufficient to guarantee trade. We show, however, that even under non-common priors the classical no trade theorem obtains. Speculative trade does become mutually acceptable if traders put at least slight probability on the trading partner being irrational. Our model, thus, provides a generalization of the result of Neeman (1996) for the case of heterogeneous priors. We also derive bounds on disagreements in the case of heterogeneous priors and p-common beliefs.