

Middlemen in competitive markets with indivisible commodities

Takayuki Oishi*and Shin Sakaue†

January 18, 2010

Abstract

In this paper, we investigate the relationship between a standard competitive market namely a bilateral market and a competitive market with middlemen for trading indivisible commodities. Consequently, our study reveals that any market with many homogeneous middlemen changes into a bilateral market.

Keywords: Middlemen; Competitive equilibrium; Partitioning linear program

JEL classification: C62; D41; D50

*Corresponding author: Institute of Economic Research, Kyoto University, Osakaya Building 5th floor, 3-1-9, Mita, Minato-ku, Tokyo 108-0073, Japan. E-mail: oishi-t@kier.kyoto-u.ac.jp, Tel: 81-3-6435-0300, Fax: 81-3-6435-0301.

†Faculty of Economics, Keio University, 2-15-45, Mita, Minato-ku, Tokyo, 108-8345, Japan. E-mail: sakaue@econ.keio.ac.jp, Tel: 81-3-5418-6419, Fax: 81-3-5418-6584.