

## Volume 28, Issue 7

### Research Announcement

#### Prices, Delay, and the Dynamics of Trade

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#### Abstract

We characterize the dynamics of trading patterns and market composition when trade is bilateral, finding a trading partner is costly, prices are determined by bargaining, and preferences are private information. We show that equilibrium is inefficient and exhibits delay as sellers price discriminate between buyers with different values. As frictions vanish, transaction prices are asymptotically competitive and the welfare loss of inefficient trading approaches zero, even though the trading patterns continue to be inefficient and delay persists.

Accepted on for publication in:

Paper is available at URL:

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**Citation:** John Wooders and Diego Moreno, (2001) "Prices, Delay, and the Dynamics of Trade", *Economics Bulletin*, Vol. 28 no.7 p.A1.

**Submitted:** March 11, 2001 **Published:** March 12, 2001.

**URL:** <http://www.accessecon.com/pubs/EB/2001/Volume28/EB-01AA0010A.pdf>