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Presentation Title
Competition with Indivisibilities and Few Traders
(with César Martinelli and Jianxin Wang)

Abstract
We study minimal conditions for competitive behavior with few agents, adapting price-quantity strategic market games to an indivisible good environment. We show that all Nash equilibrium outcomes with active trading are competitive if and only if there are at least two buyers and two sellers willing to trade at every competitive price. Unlike previous formulations, this condition can be verified directly by checking the set of competitive equilibria. In laboratory experiments, the condition we provide turns out to be enough to induce competitive results. Moreover, the performance of a sealed-bid auction following the rules of the strategic market game approaches that of its dynamic counterpart, the double auction, over time.

Keywords
Market game, market experiment, double auction, perfect competition

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