

# TRADING IN NETWORKS: THEORY AND EXPERIMENTS

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## Abstract

We propose a model of posted prices in networks. The model maps traditional concepts of market power, competition and double marginalization into networks, allowing for the study of pricing in complex structures of intermediation, such as supply chains, transportation and communication networks and financial brokerage. We provide a complete characterization of equilibrium prices. Our experiments complement our theoretical work and point to *node criticality* as an organizing principle for understanding pricing, efficiency and the division of surplus in networked markets. (JEL: C70, C71, C91, C92, D40)

Keywords: Intermediation, competition, market power, double marginalization.

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