Adaptive Markets

By Stephen Kunath, Kevin McCabe, Aleksander Psurek, and Sarah Sylvester

George Mason University

Abstract

We build a microeconomic systems simulation of agents in a decentralized market for a homogeneous good. In our markets we assume that a major source of transaction cost are the computational costs of making and completing a transaction, and the computational costs of maintaining a network of trading partners. We explore the conditions which lead agents to minimize transaction costs by converging to focal point meeting locations and adapt their bargaining strategy to both look for, and compete for, the best offer at their location.