

"CAN THE FLOW MARKET FORMAT OUTPERFORM THE CONTINUOUS DOUBLE AUCTION?"

Daniel Friedman

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Time: 5:00pm

Location: Wilkinson Hall, Room 221



New computer and telecommunications technology creates new opportunities (and new pitfalls) for creating and testing novel market formats. After a brief survey of recent innovations with special focus on financial markets and high frequency trading, Dan will present the first laboratory test of the Flow Market format recently proposed by Pete Kyle and Mina Lee. In a fairly basic 'contracts' environment, Dan and his coauthors, Kristian Lopez Vargas and Yilin Li, find that compared to the CDA, the Flow Market exhibits fewer and larger orders. The two formats achieve similar price and allocative efficiency, but Flow Markets have lower price volatility and trade volume. Interestingly, period-to-period improvement in most performance metrics is faster in Flow markets than in CDA.

Daniel Friedman is now part-time Professor of Economics at University of Essex and full-time Distinguished Professor Emeritus at UCSC Economics, where he served on the faculty since 1985 after starting at UCLA and UC Berkeley. He has broad research interests in applied economic theory, with emphasis on learning and evolution, laboratory experiments, and financial markets. He is coauthor of five academic books, fourteen NSF grants, and over 100 research articles. His popular book, *Morals and Markets: An Evolutionary Perspective on the Modern World*, was published by Palgrave-MacMillan in October 2008. A second paperback edition, co-authored with journalist Daniel McNeill, appeared in June 2013 with the subtitle: *A Dangerous Balance*.