

# Mediators and Bilateral Trade

Ady Pauzner

Ran Eilat

## Abstract

A mediator communicates with a buyer and seller to decide whether trade occurs and at what price. His objective is to maximize social surplus. Unlike an optimal mechanism that denies trade in some of the realization in which trade is beneficial, a mediator maximizes surplus also at the interim stage: at each point in time he must choose actions that are optimal given the information he has. We study how mediators optimally communicate with the parties, the tradeoffs they face, and the limitations on what they can achieve. In the case that agents' types are distributed uniformly we show that mediators can do no better than the posted-price outcome.