Title: Information Percolation in Large Markets

Abstract: We solve for the equilibrium dynamics of information sharing in an over-the-counter market with a large population. Each agent is endowed with signals regarding the likely outcome of a random variable of common concern. Individuals choose the effort with which they search for others from whom they can gather additional information. When two agents meet, they share their information. The information gathered is further shared at subsequent meetings, and so on. Equilibria exist in which agents search maximally until they acquire sufficient information precision, and then minimally. Endowing agents with public signals reduces information sharing and can in some cases decrease welfare. Based on joint work with Gustavo Manso, Semyon Malamud, and Gaston Giroux.