On the Impossibility of Equitable Continuously-Clearing Markets with Geographically Distributed Traders

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Abstract

Technology has enabled geographical expansion of markets, particularly electronic markets, by allowing traders far away from an exchange to have the same access as the traders close to an exchange. This has been possible because technology has speeded up communication speeds relative to decision-making speed. We argue that if decision making speeds also increase, for example, due to fully automated traders, then providing equal access to all traders would require moving from continuous markets to call markets. Our paper highlights an important tradeoff between the frequency with which orders are matched to determine trades and the equality of access to the market.