

Directing Search

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Abstract

In this paper, I attempt to synthesize two broad classes of search models: (i) random search models, where firms are assumed not to post prices; and (ii) directed search models, where firms are assumed to post prices, by allowing firms to *choose* whether to post prices or to hide their prices. The market structure in my model is endogenized because firms act as market makers to endogenize the model's environment, and random and directed search correspond to two polar opposite information structures: random (directed) search can be thought of as all firms choosing to hide (post) their prices. Contrary to what is commonly thought, buyers need not be better off with posted prices. I also show that when the cost of search falls, directed search equilibria disappear as firms will choose random search environments for everyone to operate in, which is associated with more obfuscation.