

# Markov Equilibria in Dynamic Matching and Bargaining Games

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November 28, 2002

## **Abstract**

Rubinstein and Wolinsky (1990) show that a simple homogeneous market with exogenous matching has a continuum of (non-competitive) perfect equilibria; however, the unique Markov perfect equilibrium is competitive. By contrast, in the more general case of heterogeneous markets, we show there exists a continuum of (non-competitive) Markov perfect equilibria. However, a refinement of the Markov property, which we call monotonicity, does suffice to guarantee perfectly competitive behavior: we show that a Markov perfect equilibrium is competitive if and only if it is monotonic. The monotonicity property is closely related to the concept of Nash equilibrium with complexity costs.