Yasuhiro Sakai & Keisuke Sasaki, *Information and Distribution: The Role of Merchants in the Market Economy Under Uncertainty*

Springer, 2021, 221pp.

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The world is full of uncertainties. Take for example the problem of deciding on a restaurant for the evening when we have no idea if the restaurant is good or bad, or how much the meal will cost. We can find this information when we enter the restaurant, but will certainly be disappointed if the restaurant is bad or charges too much. To avoid such disappointment, it seems best if we gather information about the restaurant beforehand, consider our own tastes and willingness to pay, and then decide whether to eat and drink at the restaurant. Nowadays, restaurant information is available on gourmet websites, and many restaurants themselves display their pricing at the entrance. This is how we acquire information about the restaurants where we want to dine and decide whether or not to go.

The above example demonstrates how information acquisition can alleviate the information asymmetry between consumers and producers. It also raises the question as to whether the elimination of information asymmetry is always a good thing. Proverbs quoted in this book state that “knowledge is power” and “two heads are better than one,” which are good for eliminating information asymmetries. But another proverb state that “ignorance is bliss” and “what the eye doesn’t see, the heart doesn’t grieve,” which can be a bad thing. So, which is it really? Of course, we must be thinking that the elimination of information asymmetry is either good or bad depending on the situation.

This book, written by Yasuhiro Sakai, professor emeritus of Shiga University, and Keisuke Sasaki, professor of Toyo University, gathers nine articles by Sakai and Sasaki, revised from their previous works to answer the questions posed in the previous section. Part I, “Merchants: Historical Perspective,” contains two articles: a revised paper published in the *Asia-Pacific Journal of Regional Science* and a research paper presented at an international workshop on regional economics at the University of Tsukuba in January 2019. Part II, “Information Exchange: Theoretical Perspective,” collects five articles: a revised paper published in *Organization, Performance and Equity*; three papers based on a discussion paper presented at the University of Tsukuba; and a paper published in *the Journal of Managerial and Economic Studies* in 1993.[1] Part III, “Risk Aversion: Mathematical Perspective,” offers two articles from a revised a paper published in the *Hikone Ronso* and the *Journal of Economics*.

1) Chapter 7 states at the beginning that “this paper is the latest revised version of Sakai (1995)”, but there is no entry for Sakai (1995) in the bibliography. After checking the contents, the reviewer can only surmise that this entry is Sakai (1993), “The Role of Information in Profit-Maximizing and Labor-Managed Duopoly Models,” *Managerial and Decision Economics*.

Chapter 1 contrasts the Liverpool merchants with the Omi merchants, especially in terms of risk management methods in trade. Chapter 2 focuses on Sombart's work and discusses the role of merchants in the exchange economy from an history of economic thought perspective. The reviewer is not an expert in trade theory, insurance theory, or history of economic thought, and as such will refrain from evaluating these chapters; but the reviewer would like to point out that the Omi merchants' management philosophy of "three-way advantage," or "being good for the buyer, good for the seller, and good for the society," is mentioned not only in these chapters but also in other parts of the book. It is analogous to whether or not consumer surplus, producer surplus, and total surplus can be improved by eliminating information asymmetries.

As the main part of the book, Part II discusses the existence of distributors in imperfectly competitive markets as well as changes in surpluses resulting from the elimination of information asymmetries.

Part III discusses changes in expected profits with eliminating information asymmetries when firms competing in duopoly markets are risk averse.

There are two features of this book. The first feature is that substitutability and complementarity are considered for *goods*. Readers who are used to game-theory based arguments that rely on *strategic* substitutability and complementarity will be aware of this. The second feature is Part III deals with how firms that are risk averse acts. Although there is an abundance of literature on the effects of resolving information asymmetries on profits and surpluses, most of the literature assumes that firms are risk neutral, and relatively few discuss cases involving risk aversion, as this book does. This book is recommended for readers who want to learn about such cases.

On the other hand, one disappointing aspect of this book is the slight discrepancy between its title and the contents. Although the book's subtitle is "The Role of Merchants in the Market Economy Under Uncertainty," merchants and intermediary distributors appear explicitly only in the first three chapters. The remainder of the book is concerned mainly about whether or not information sharing in oligopoly models can improve surpluses, and there are no intermediate distributors in these models. The role of intermediary distributors has been analyzed theoretically in the monopoly model, but not in the duopoly and oligopoly models.

Except for Chapter 7, the book presents no real mathematical challenges, so even undergraduates who have studied economic mathematics, microeconomics, and game theory should be able to follow the arguments. Being a revision of previously published articles, the book contains several typographical errors in terms of symbols and a number of equations. Rooting out these errors might prove an enjoyable exercise.

The reviewer's own master's thesis made use of the Sakai book as a reference. The argument of the book was based on a simple and easy to understand model, as appears in this book. Reading the book is recommended for anyone who, like the reviewer in the past, would like to study how the elimination of information asymmetries can affect surpluses.