

## **The Role of Middlemen in Economy: are they Redundant or Important?**

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**Abstract:** *In economic theory producers (firms) compete to satisfy the needs of consumers and on this way try to get maximum amount of profits. Consumers generally try to choose the cheapest and the one with highest quality to maximize their utility. In addition to this, producers try to sell their goods with highest price to maximize their profits. In perfect competitive markets it is assumed that both producers and consumers have perfect information about prices. However, in daily life they cannot have all information without searching and suffering from transaction costs. Also sometimes consumers cannot find firms that produce the goods they need. They need help to find firms that sell goods for them. Middlemen are agents who help consumers and also producers to meet each other. For instance, real estate managers, dating clubs, travel agencies are that kind of agents. These are thought to be agents who reduce transaction costs and by this way help providing equilibrium of markets. But, middlemen have not enough space in economy books and there is so little search in literature. If they have important place in economic life why there is so little search about them in literature? If they are redundant why most of consumers go to real estate's to find appropriate flats, lands, offices etc for them?*

*In this study the place and importance of middlemen in economic life is discussed. First economic literature about middlemen and their roles in market are reviewed. Then, it is tried to reveal their role in reducing transaction costs and providing economic equilibrium. To this aim a model consists of firm, consumer and middlemen is constructed. By the help of this model we can answer (or at least discuss) if intermediaries are redundant or important factor in economic life. This study can help for future researches about the role of middlemen in economic life and by this way middlemen will gain rightful place in economic theory and literature.*

**Keywords:** *Intermediaries, Imperfect Information, Transaction Costs, Information, Middlemen.*