

Endogenous Broker Choice, Investor Heterogeneity, and Stock Prices

Takayuki Ogawa,^a Jun Sakamoto,^b and Makoto Shimoshimizu^c

April 26, 2026

Abstract

This paper develops a general-equilibrium model in which investors with high and low initial stock endowments endogenously choose between brokers offering proportional and quadratic transaction-cost schedules. Because the quadratic schedule has a lower marginal cost for small trades whereas the proportional schedule becomes more attractive for large trades, broker choice is determined by investors' portfolio-rebalancing needs. We show that, when stock-rich investors are a minority, a larger endowment gap, higher payoff risk, or greater efficiency of the proportional-cost broker induces a regime shift that lowers the stock price. Our analysis identifies endogenous broker choice as a novel mechanism through which investor heterogeneity and commission structures affect stock prices.

Keywords: Asset pricing; Brokerage commissions; General equilibrium; Investor heterogeneity.

JEL Classification Numbers: D53; G12; G24.

^aFaculty of Economics, Osaka University of Economics, 2-2-8 Osumi, Higashiyodogawa-ku, Osaka 533-8533, JAPAN. E-mail: tkogawa@osaka-ue.ac.jp.

^bDepartment of Economics, Osaka Gakuin University, 2-36-1 Kishibe Minami, Suita City, Osaka 564-8511, JAPAN. E-mail: jun.sakamoto@ogu.ac.jp.

^cDepartment of Information Science and Technology, Tokyo University of Science, 2641 Yamazaki, Noda City, Chiba 278-8510, JAPAN. E-mail: shimosshi1q94@gmail.com.