Household's Budget Constraint

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Budget constraint

Expenditure

- m to purchase money (at price of 1)
- $c \times [1 + \tau(x)] \times p$ to purchase services

matching wedge = # matching services for 1 service consumed

price of 1 service

Income:

- $\nu > 0$ endowment of money
- $k \times f(x) \times p$ income from selling services

- p = price of one service
- $k \times f(x)$ = # services sold
- $c \times [1 + \tau(x)]$ = # services purchased

Budget constraint income = expenditure

$$\nu + p \cdot f(x)\, k = m + p \cdot [1 + \tau(x)]\, c$$

selling probability
Walrasian world: $f(x) = 1$
matching world: $f(x) < 1$

matching wedge
Walrasian world: $\tau(x) = 0$
matching world: $\tau(x) > 0$