

#market-design #non-commodity-markets

1 | Introduction

'(12/6/21)'

Matching markets (i.e. non-commodity markets) are abundant in our daily lives, from tinder to college admissions. They are more complex to analyze than commodity markets because each individual case of a match being made has different factors, but they can be analyzed nonetheless.

Matching markets can suffer from *congestion*, because unlike commodity markets, which are fast because each product is the same, matching markets feature unique products which require more time for analysis by each player in the market. Congestion is not ideal, and is a market inefficiency caused by an overload of buyers/sellers.

Because competition between sellers and sellers is not good for sellers, and competition between buyers and buyers is not good for buyers, some buyers and sellers may try to conduct transactions earlier. This can reduce the thickness of the market, and lead to "reorganizations" in some cases.

Good markets are *safe* and *simple*: they allow everyone to participate and reduce the impact of someone gaming the system. The old Boston Public School system required parents to game the system in order to get their children into good schools; the current system allows them to prioritize their true preferences first without risking getting into a not-so-good school.