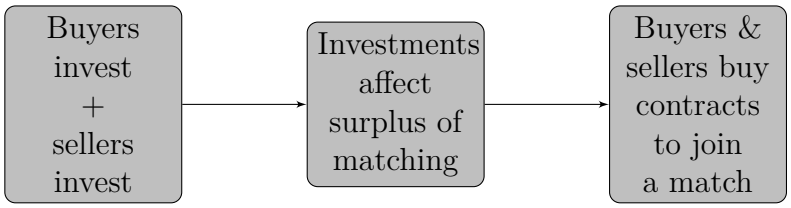
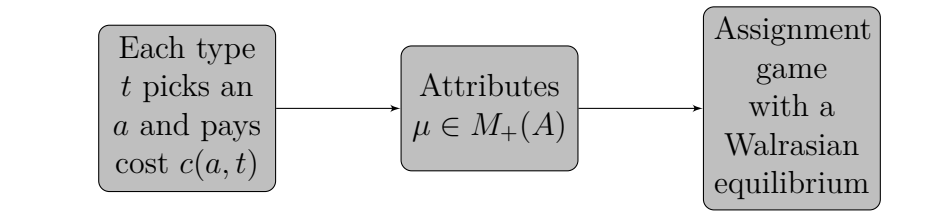
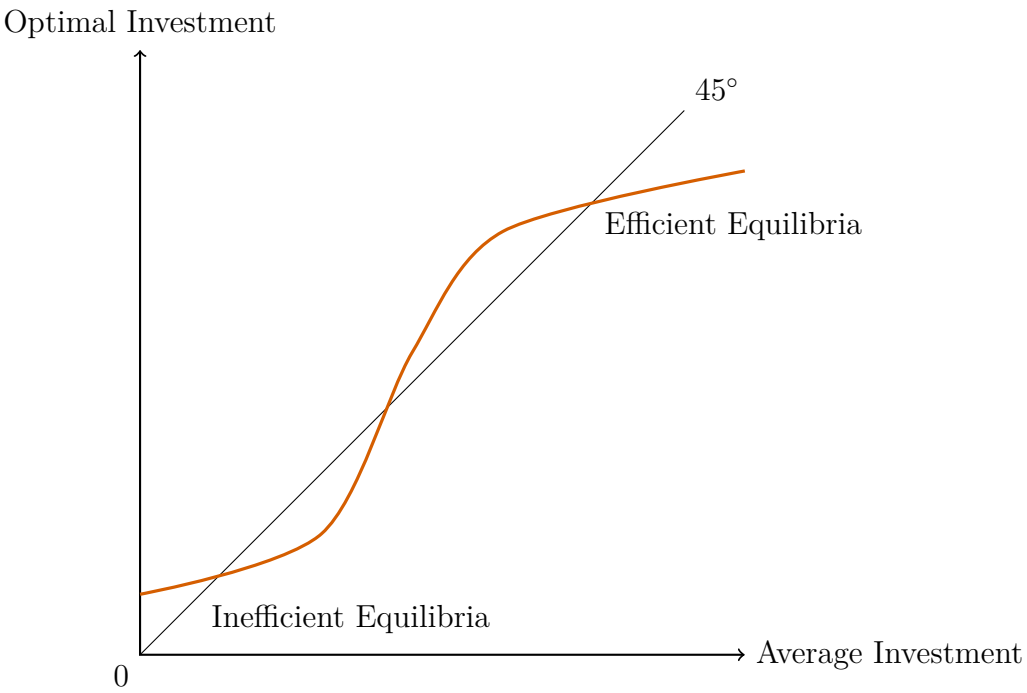
	Left	Right
Up	1,1	2,0
Down	0,2	2,2

Stage 1: Investment

Stage 2: Competitive Market




Stage 1: Investment
Stage 2: Market
Each type t picks an a and pays cost $c(a,t)$
Attributes $\mu \in M_+(A)$
Assignment game with a Walrasian equilibrium


Optimal Investment
45°
Efficient Equilibria
Inefficient Equilibria
0
Average Investment

Buyer \ Seller	$s = 0$	$s = 1$
$b = 0$	0 0	$-\frac{1}{4}$ 0
$b = 1$	0 $-\frac{1}{4}$	$\frac{1}{2} - \frac{1}{4}$ $1 - \frac{1}{2} - \frac{1}{4}$

Buyer \ Seller	$s = 0$	$s = 1$
$b = 0$	0 0	$-\frac{1}{4}$ 0
$b = 1$	0 $-\frac{1}{4}$	$0 - \frac{1}{4}$ $1 - 1 - \frac{1}{4}$

		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$-\tilde{p}^b(0,0)$	$\tilde{p}^s(0,0)$
	(0,1)	$-\tilde{p}^b(0,1)$	$\tilde{p}^s(0,1)-\frac{1}{4}$
	(1,0)	$-\tilde{p}^b(1,0)-\frac{1}{4}$	$\tilde{p}^s(1,0)$
	(1,1)	$1-\tilde{p}^b(1,1)-\frac{1}{4}$	$\tilde{p}^s(1,1)-\frac{1}{4}$

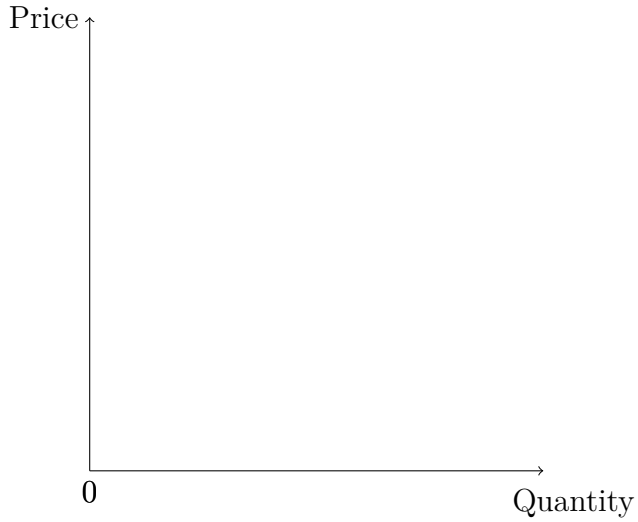
		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$p(0,0) = -0$	$p(0,0) = 0$
	(0,1)	$p(0,1) = -0$	$p(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$p(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$p(1,0) = 0$
	(1,1)	$1 - p(1,1) - \frac{1}{4}$	$p(1,1) - \frac{1}{4}$

		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$p(0,0) = -0$	$p(0,0) = 0$
	(0,1)	$p(0,1) = -0$	$p(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$p(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$p(1,0) = 0$
	(1,1)	$1 - p(1,1) - \frac{1}{4} \geq 0$	$p(1,1) - \frac{1}{4} \geq 0$

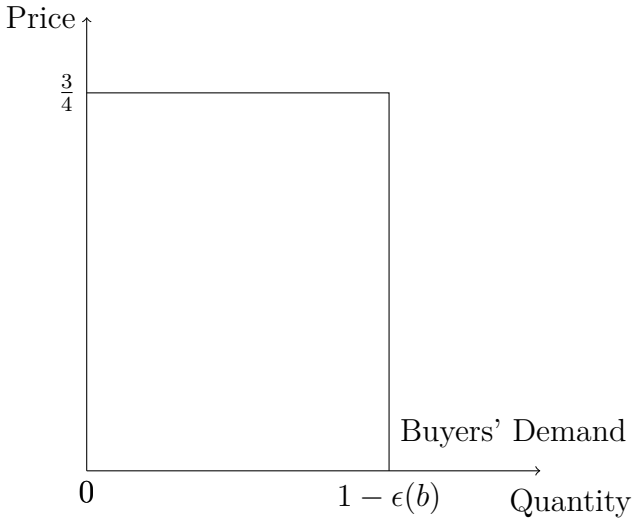
		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$-\tilde{p}^b(0,0) = -0$	$\tilde{p}^s(0,0) = 0$
	(0,1)	$-\tilde{p}^b(0,1) = -0$	$\tilde{p}^s(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$-\tilde{p}^b(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$\tilde{p}^s(1,0) = 0$
	(1,1)	$1 - p(1,1) - \frac{1}{4} = 1 - \frac{1}{2} - \frac{1}{4}$	$p(1,1) - \frac{1}{4} = \frac{1}{2} - \frac{1}{4}$

		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$-p(0,0) = -0$	$p(0,0) = 0$
	(0,1)	$-\tilde{p}^b(0,1) = -0$	$\tilde{p}^s(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$-\tilde{p}^b(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$\tilde{p}^s(1,0) = 0$
	(1,1)	$1 - \tilde{p}^b(1,1) - \frac{1}{4} = 1 - 1 - \frac{1}{4}$	$\tilde{p}^s(1,1) - \frac{1}{4} = 0 - \frac{1}{4}$

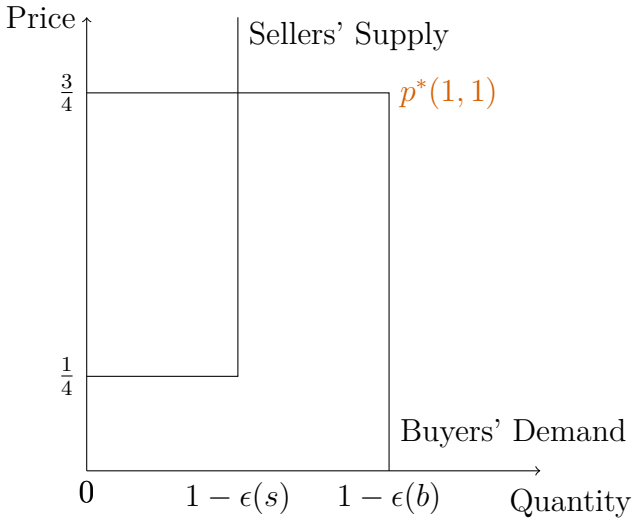
Market for $(1, 1)$, Given Conjectures



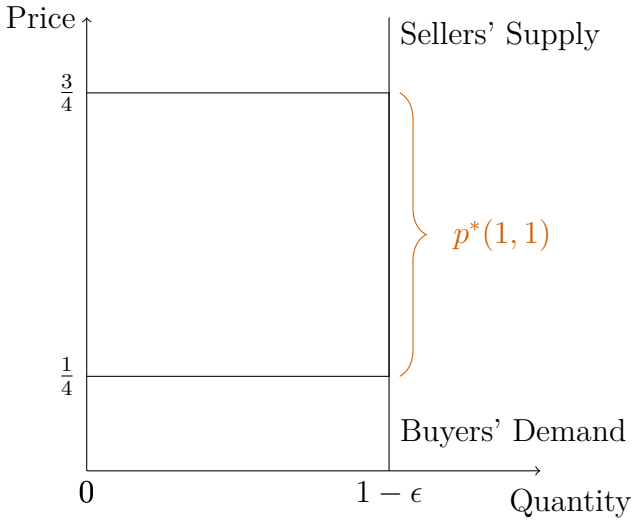
Market for $(1, 1)$, Given Conjectures



Market for $(1, 1)$, Given Conjectures



Market for $(1, 1)$, Given Conjectures



		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$-\tilde{p}^{\beta}(0,0)$	$\tilde{p}^{\sigma}(0,0)$
	(0,1)	$-\tilde{p}^{\beta}(0,1)$	$\tilde{p}^{\sigma}(0,1)-\frac{1}{4}$
	(1,0)	$-\tilde{p}^{\beta}(1,0)-\frac{1}{4}$	$\tilde{p}^{\sigma}(1,0)$
	(1,1)	$1-\tilde{p}^{\beta}(1,1)-\frac{1}{4}$	$\tilde{p}^{\sigma}(1,1)-\frac{1}{4}$

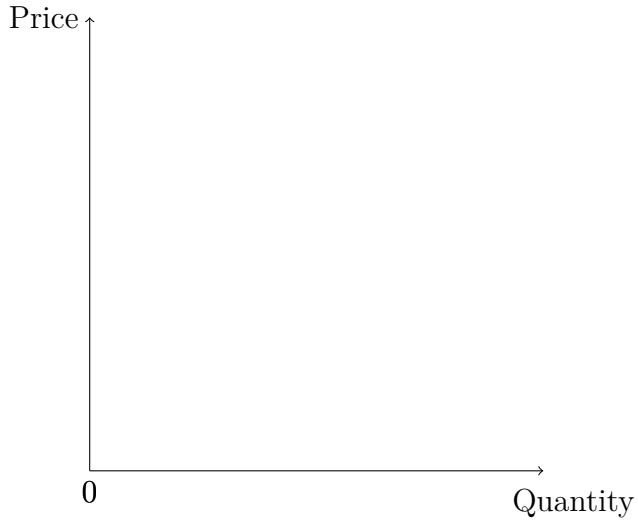
		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$p(0,0) = -0$	$p(0,0) = 0$
	(0,1)	$p(0,1) = -0$	$p(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$p(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$p(1,0) = 0$
	(1,1)	$1 - p(1,1) - \frac{1}{4}$	$p(1,1) - \frac{1}{4}$

		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$p(0,0) = -0$	$p(0,0) = 0$
	(0,1)	$p(0,1) = -0$	$p(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$p(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$p(1,0) = 0$
	(1,1)	$1 - p(1,1) - \frac{1}{4} \geq 0$	$p(1,1) - \frac{1}{4} \geq 0$

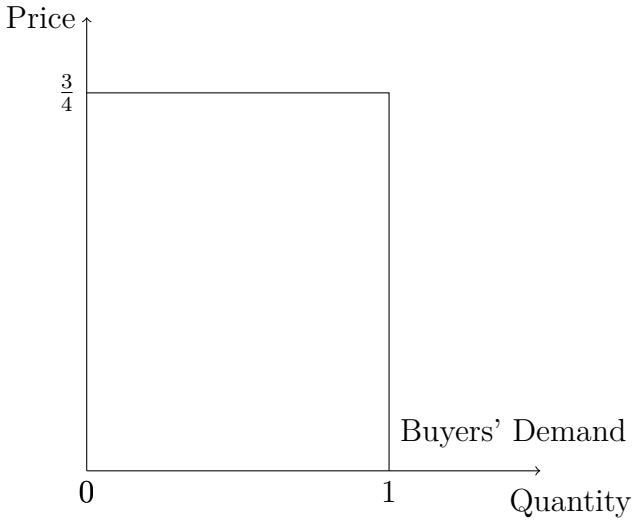
		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$-\tilde{p}^{\beta}(0,0) = -0$	$\tilde{p}^{\sigma}(0,0) = 0$
	(0,1)	$-\tilde{p}^{\beta}(0,1) = -0$	$\tilde{p}^{\sigma}(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$-\tilde{p}^{\beta}(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$\tilde{p}^{\sigma}(1,0) = 0$
	(1,1)	$1 - p(1,1) - \frac{1}{4} = 1 - \frac{1}{2} - \frac{1}{4}$	$p(1,1) - \frac{1}{4} = \frac{1}{2} - \frac{1}{4}$

		Buyer Payoffs	Seller Payoffs
Matching Contract	(0,0)	$-p(0,0) = -0$	$p(0,0) = 0$
	(0,1)	$-\tilde{p}^{\beta}(0,1) = -0$	$\tilde{p}^{\sigma}(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
	(1,0)	$-\tilde{p}^{\beta}(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$\tilde{p}^{\sigma}(1,0) = 0$
	(1,1)	$1 - \tilde{p}^{\beta}(1,1) - \frac{1}{4} = 1 - 1 - \frac{1}{4}$	$\tilde{p}^{\sigma}(1,1) - \frac{1}{4} = 0 - \frac{1}{4}$

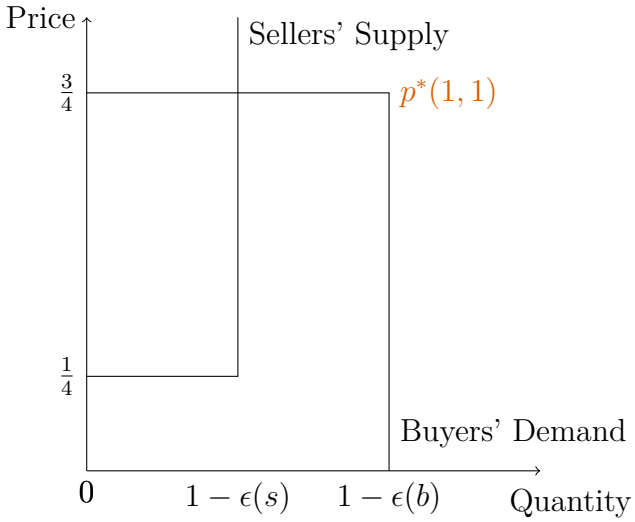
Market for $(1, 1)$, Given Conjectures



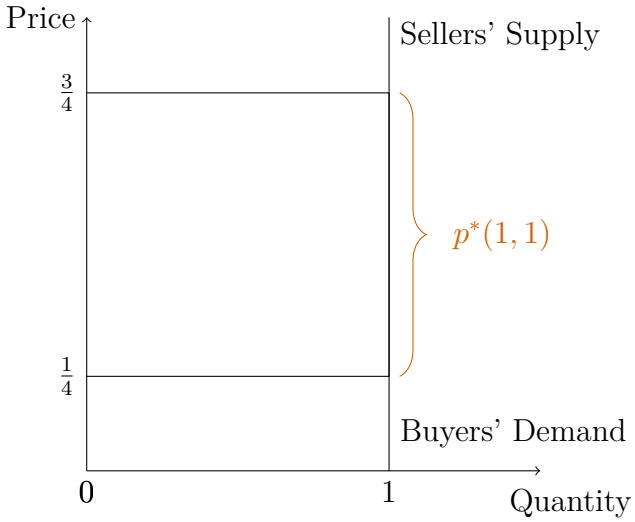
Market for $(1, 1)$, Given Conjectures

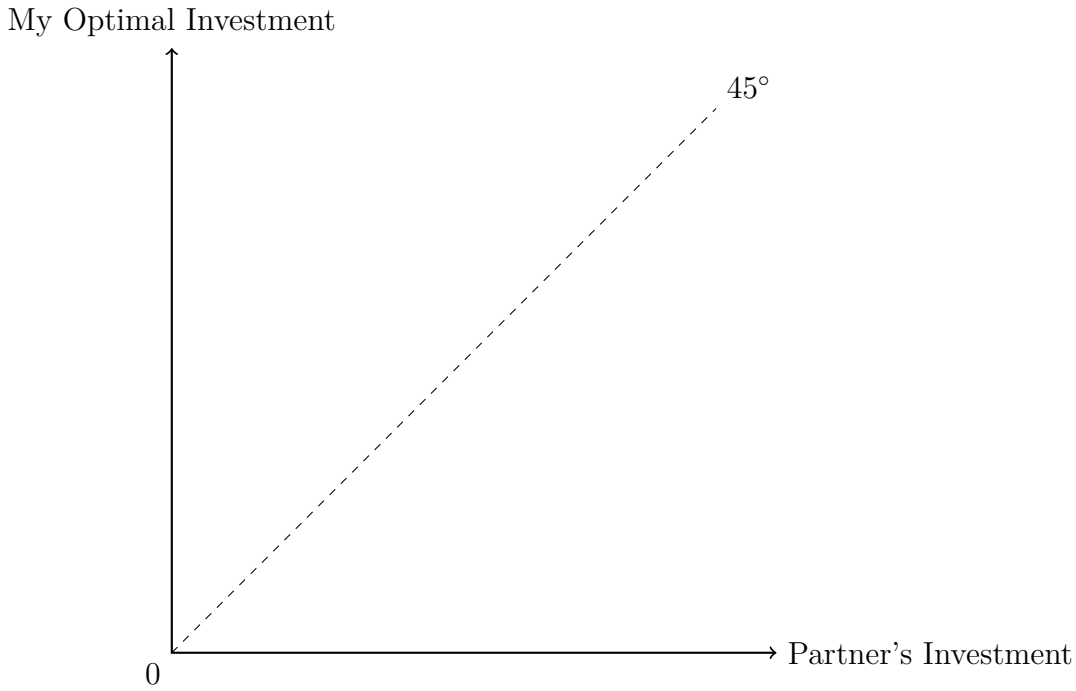


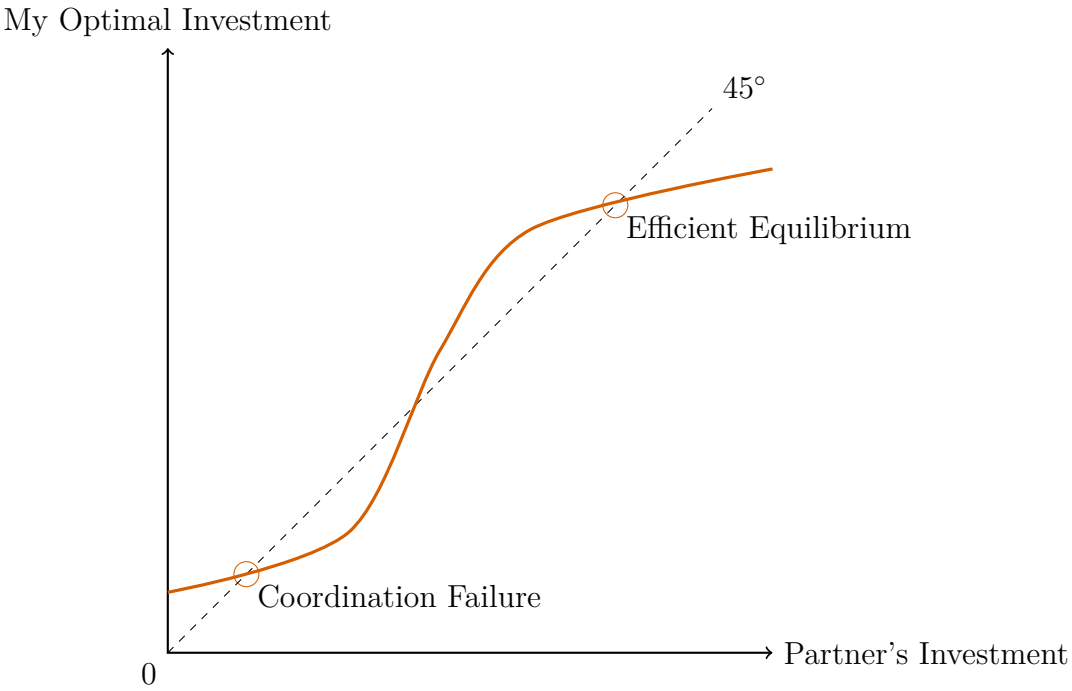
Market for $(1, 1)$, Given Conjectures

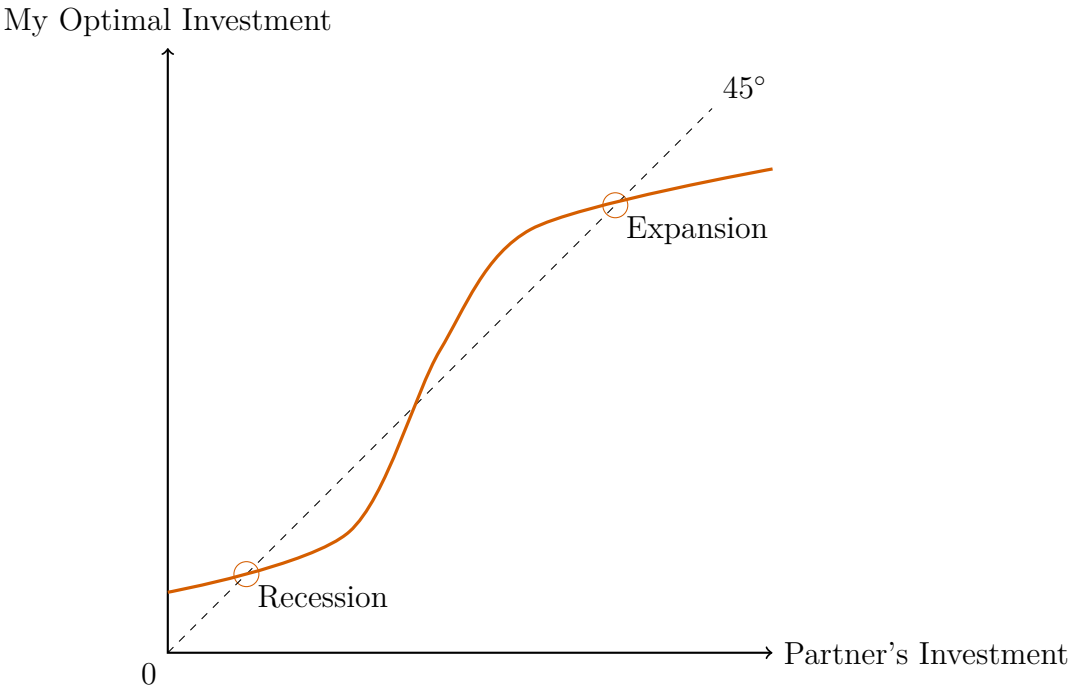


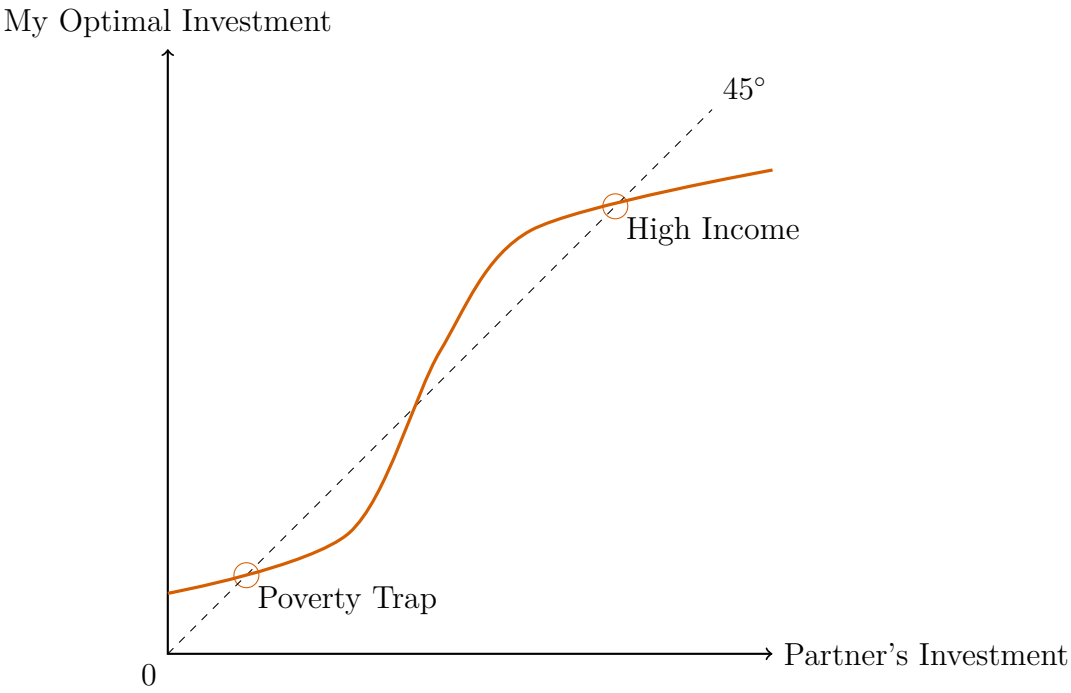
Market for $(1, 1)$, Given Conjectures




My Optimal Investment
45°
0
Partner's Investment


My Optimal Investment
45°
Efficient Equilibrium
Coordination Failure
0
Partner's Investment


My Optimal Investment
45°
Expansion
Recession
0
Partner's Investment


My Optimal Investment
45°
High Income
Poverty Trap
0
Partner's Investment