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

Stage 1: Investment

Stage 2: Competitive Market

Buyers
invest
+
sellers
invest

→

Investments
affect
surplus of
matching

→

Buyers &
sellers buy
contracts
to join
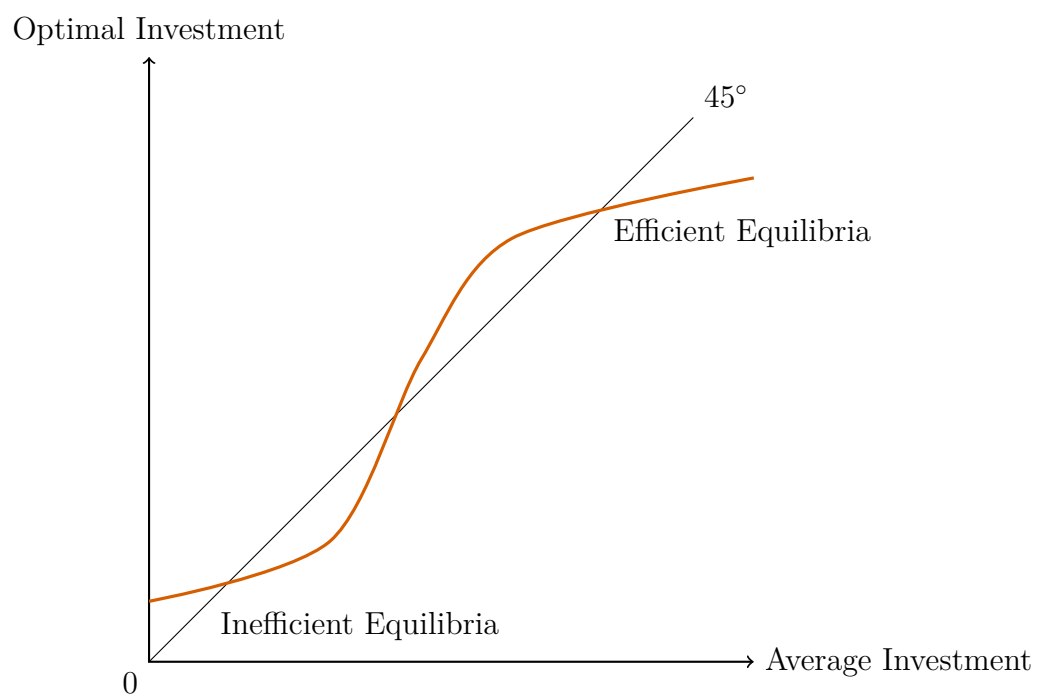a match

Stage 1: Investment

Each type
t picks an
a and pays
cost $c(a, t)$

Attributes
$\mu \in M_+(A)$

Stage 2: Market

Assignment
game
with a
Walrasian
equilibrium

Seller

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

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

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

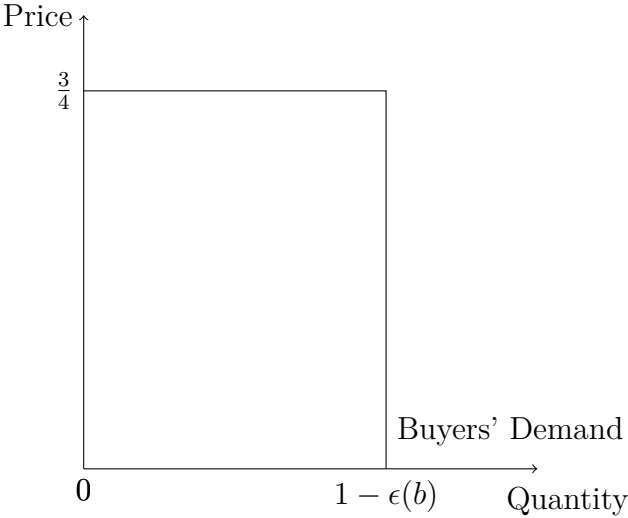|		Buyer Payoffs	Seller Payoffs
	(0,0)	$p(0,0) = -0$	$p(0,0) = 0$
Matching	(0,1)	$p(0,1) = -0$	$p(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
Contract	(1,0)	$p(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$p(1,0) = 0$
	(1,1)	$1 - p(1,1) - \frac{1}{4} \geq 0$	$p(1,1) - \frac{1}{4} \geq 0$

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

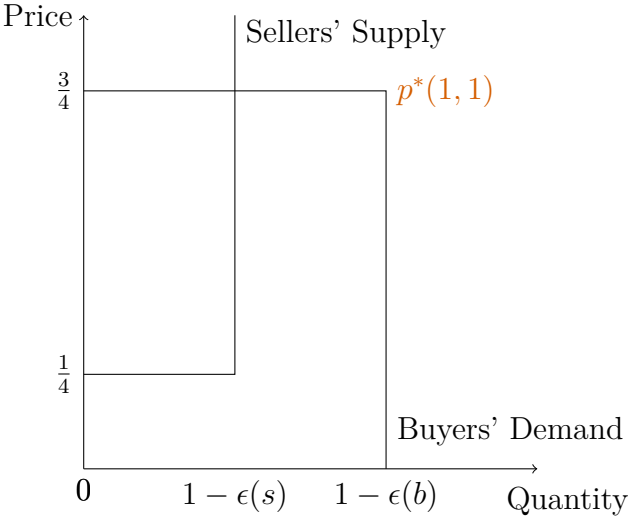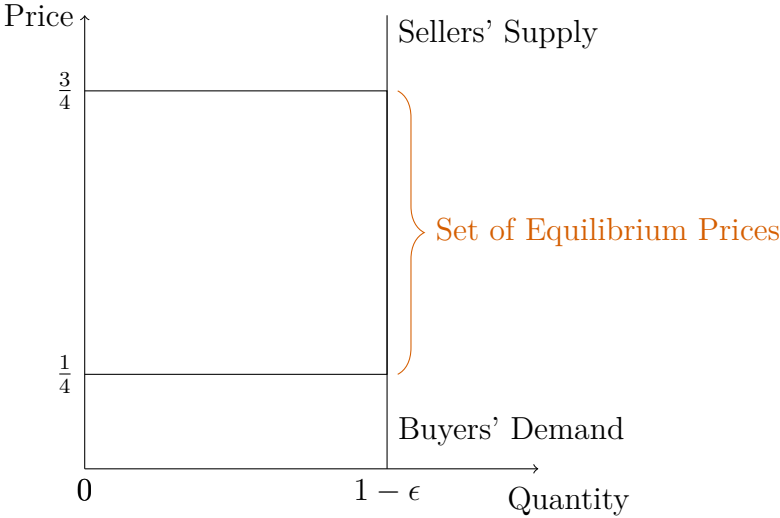|		Buyer Payoffs	Seller Payoffs
	(0,0)	$-p(0,0) = -0$	$p(0,0) = 0$
Matching	(0,1)	$-\tilde{p}^{\beta}(0,1) = -0$	$\tilde{p}^{\sigma}(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
Contract	(1,0)	$-\tilde{p}^{\beta}(1,0) - \frac{1}{4} = -0 - \frac{1}{4}$	$\tilde{p}^{\sigma}(1,0) = 0$
	(1,1)	$1 - \tilde{p}^{\beta}(1,1)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

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

Price

0

Quantity

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

Price

$\frac{3}{4}$

Buyers' Demand

0 $1 - \epsilon(b)$ Quantity

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

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

Price

Sellers' Supply

$\frac{3}{4}$

Set of Equilibrium Prices

$\frac{1}{4}$

Buyers' Demand

0 $1 - \epsilon$

Quantity

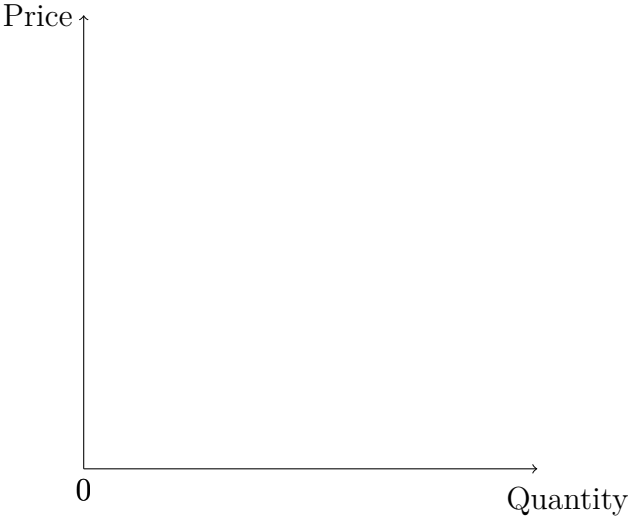|		Buyer Payoffs	Seller Payoffs
	(0,0)	$-\tilde{p}^{\beta}(0,0)$	$\tilde{p}^{\sigma}(0,0)$
Matching	(0,1)	$-\tilde{p}^{\beta}(0,1)$	$\tilde{p}^{\sigma}(0,1) - \frac{1}{4}$
Contract	(1,0)	$-\tilde{p}^{\beta}(1,0) - \frac{1}{4}$	$\tilde{p}^{\sigma}(1,0)$
	(1,1)	$1 - \tilde{p}^{\beta}(1,1) - \frac{1}{4}$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

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

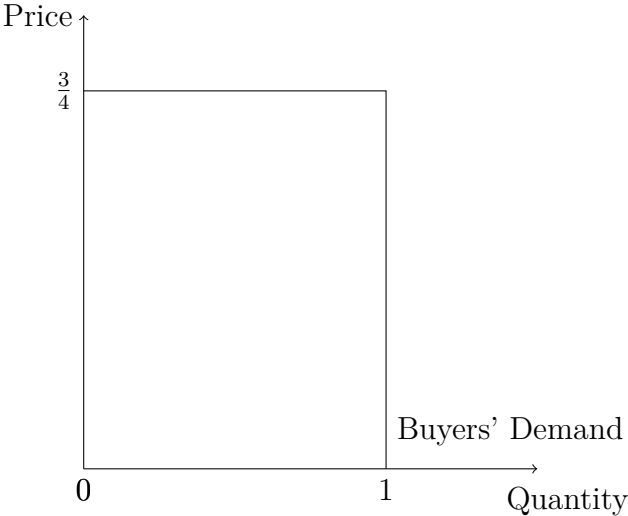|		Buyer Payoffs	Seller Payoffs
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Matching	(0,1)	$p(0,1) = -0$	$p(0,1) - \frac{1}{4} = 0 - \frac{1}{4}$
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	(1,1)	$1 - p(1,1) - \frac{1}{4} \geq 0$	$p(1,1) - \frac{1}{4} \geq 0$

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

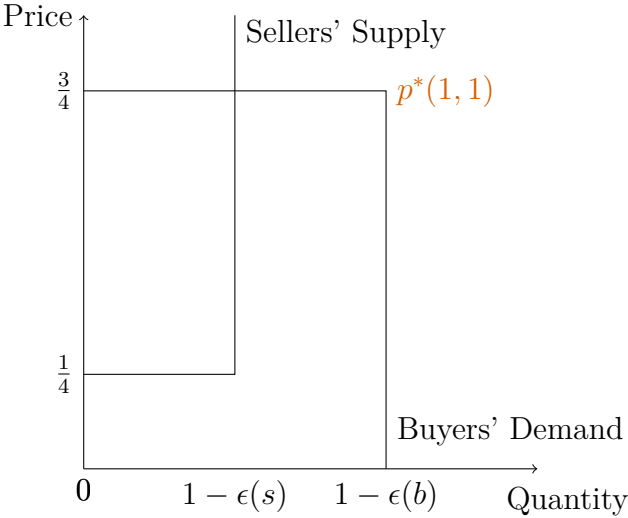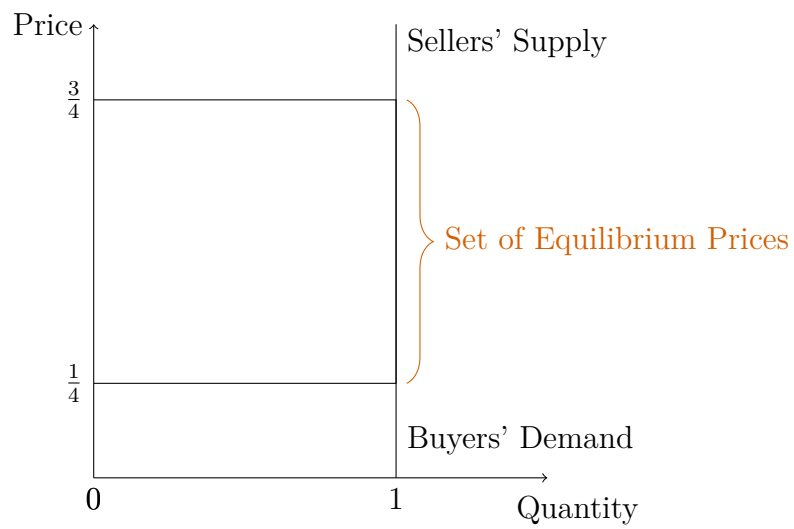|		Buyer Payoffs	Seller Payoffs
	(0,0)	$-p(0,0) = -0$	$p(0,0) = 0$
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	(1,1)	$1 - \tilde{p}^\beta(1,1) - \frac{1}{4} = 1 - 1 - \frac{1}{4}$	$\tilde{p}^\sigma(1,1) - \frac{1}{4} = 0 - \frac{1}{4}$

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

Price

0   Quantity

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

Price

$\frac{3}{4}$

Buyers' Demand

0   1

Quantity

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

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

Price

Sellers' Supply

$\frac{3}{4}$

Set of Equilibrium Prices

$\frac{1}{4}$

Buyers' Demand

0   1   Quantity