

# ECON 736 Presentation

## Assortative Matching with Large Firms

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# Roadmap of Talk

## Introduction

## Model

- Model set-up

- Equilibrium

  - Characterization of Equilibrium

  - Assortativity Characterization

  - Equilibrium Assignment

## Simulation

- Simulation Strategy

- Simulation Results

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- Simulation Strategy

- Simulation Results

- To simulate the model we will use the following production function:

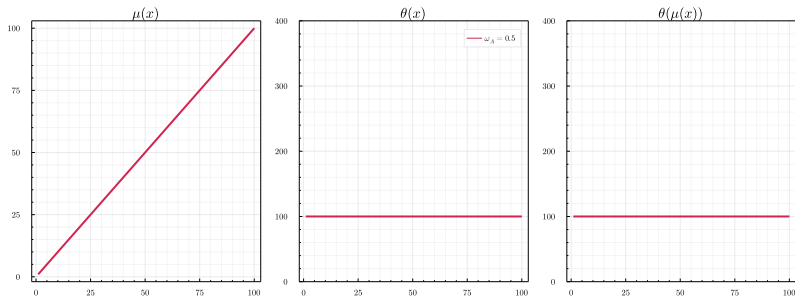
$$f(x, y, \theta) = \left( \omega_A x^{(1-\sigma_A)/\sigma_A} + (1 - \omega_A) y^{(1-\sigma_A)/\sigma_A} \right)^{\sigma_A/(1-\sigma_A)} \theta^{\omega_B} \quad (1)$$

- Computing condition ?? for this production function we get:

$$- \frac{(1 - \sigma_A) (1 - \omega_A) \omega_A x^{\frac{1}{\sigma_A}} y^{\frac{1}{\sigma_A}} \theta^{\omega_B} \left( \omega_A x^{\frac{1}{\sigma_A}-1} + (1 - \omega_A) y^{\frac{1}{\sigma_A}-1} \right)^{\frac{\sigma_A}{1-\sigma_A}}}{\sigma_A \left( \omega_A \left( y x^{\frac{1}{\sigma_A}} - x y^{\frac{1}{\sigma_A}} \right) + x y^{\frac{1}{\sigma_A}} \right)^2} > 0 \quad (2)$$

- Clearly the condition for **PAM** holds if  $\sigma_A < 1$  and we will have **NAM** if  $\sigma_A > 1$ .

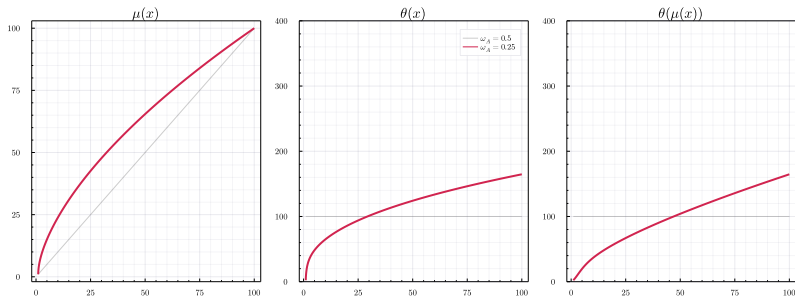
# Effect of changing $\omega_A$



- Sometimes you want to talk about one effect

- **Parametrization**  $x, y \sim U[0, 1]$ ,  $\omega_B = 0.5$  and  $\sigma_A = 0.9$

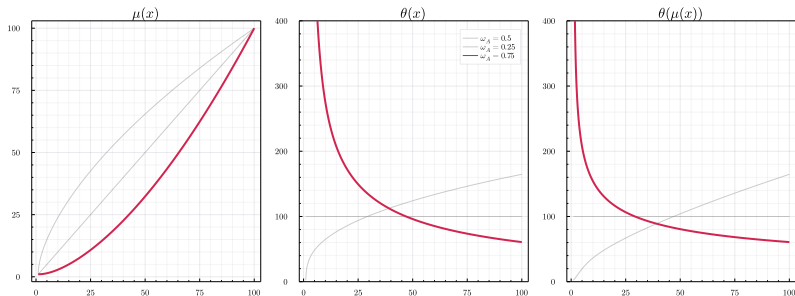
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# Effect of changing $\omega_A$



- Sometimes you want to talk about one effect
- Then switch to a second effect
- Use the `\only<slidenum>` command
- For the effect, keep the similar axes

- **Parametrization**  $x, y \sim U[0, 1]$ ,  $\omega_B = 0.5$  and  $\sigma_A = 0.9$