ECON 736 Presentation
Assortative Matching with Large Firms

Mitchell Valdes-Bobes

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Roadmap of Talk

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Title

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

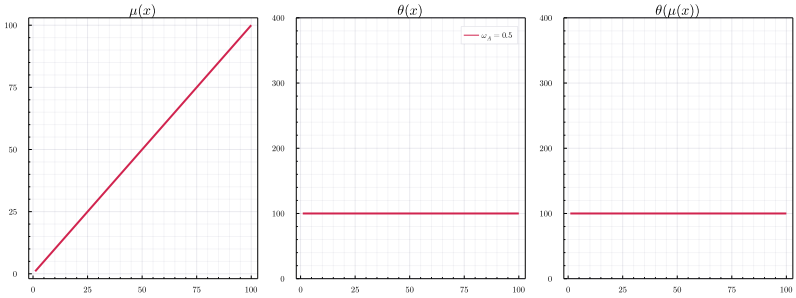
$$f(x, y, \theta) = \left(\omega_A x^{(1-\sigma_A)/\sigma_A} + (1-\omega_A)\, y^{(1-\sigma_A)/\sigma_A}\right)^{\sigma_A/(1-\sigma_A)} \theta^{\omega_B} \tag{1}$$

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

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

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

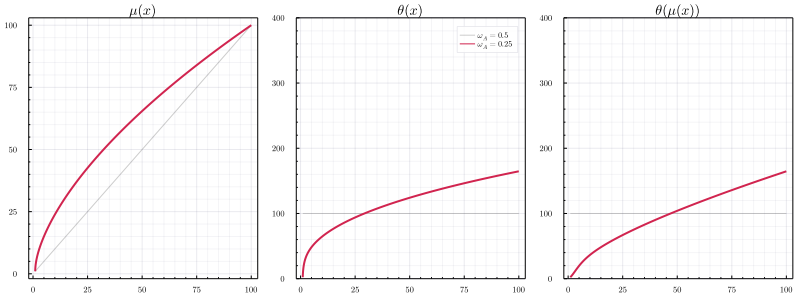
Effect of changing ω_A



- Sometimes you want to talk about one effect

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

Effect of changing ω_A



- Sometimes you want to talk about one effect
- Then switch to a second effect

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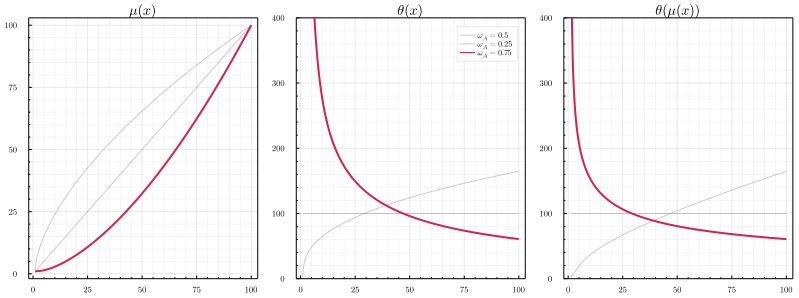

- Sometimes you want to talk about one effect
- Then switch to a second effect
- Use the `\only<slidenum>` command
- For the effect, keep the similar axes

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