

Markets can really seem like magic. They when they work smoothly suppliers satisfy the desires of consumers. Furthermore, markets (through the work of entrepreneurs) can emerge out of the self interest of those involved. However, things do not always work smoothly. 2012 Nobel Laureate Al Roth, has spent his career looking at matching markets. Examples include marriage, matching kidney donors to kidney recipients, and students to schools in cities that allow choice in their public school systems.

Roth wrote a book on matching markets in 2015 called “Who Gets What — and Why: The New Economics of Matchmaking and Market Design”

In 2021 Roth was interviewed about his work on the podcast below.

<https://podcasts.apple.com/us/podcast/new-books-in-economics/id425187524?i=1000537589481>

The following video depicts the algorithm that Roth discusses, called the Gale-Shapley algorithm or deferred acceptance algorithm.

<https://www.youtube.com/watch?v=fudb8DuzQIM>

First listen to the podcast and watching the video. It’s always a good practice to take notes while listening and viewing. In no more than 1 page single spaced, your assignment is to reflect on the topic of matching markets. There is some freedom and creativity in how you reflect on this topic. Your grade will be based on the quality of your discussion, insights, and critical thinking along with the writing flow and grammar. Please proofread.

In your discussion, be sure to touch on the following things:

- 1) Describe the concept of matching markets using an example
- 2) How does a matching market differ from the market described by the supply and demand model?
- 3) What does Roth mean by the market design? This is related to the idea of “rules” in markets, what economists sometimes call market institutions.
- 4) What are the concepts of “thickness” and “congestion” in matching markets and why are they important?
- 5) What is something you learned that you thought was particularly interesting.