

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. 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”

He was interviewed about his work on the podcast below.

<https://www.econtalk.org/alvin-roth-on-matching-markets/>

After you listen to the podcast, your assignment is to answer the following questions. You will be graded based on the quality of your critical thinking about each topic as well flow and grammar of your writing.

1. What were your top takeaways from the conversation with Roth?
2. Roth asserts that in matching markets, prices function differently than they do in commodities markets? How would you describe this difference?
3. How might the market for kidneys work if it were legal to buy and sell a kidney? Who would be better off and who would be worse if compared to a situation where such exchanges are illegal but donations are coordinated and chained the way Roth describes? Do you think rich people would get all the kidneys? Why or why not?
4. At the end of the episode, Roth defended his role as an economic engineer saying, “People have been designing marketplaces forever. It’s what we do.” Russ ended the episode here. How might he have responded if he had decided to continue?