

Topics in Market Design
Prof. Estelle Cantillon
ECARES
Spring 2007

Course description

Market design is the area of economics broadly defined by the idea that markets play an important allocation role in our economies and that they can be “designed”, that is, the rules governing the allocation decisions and other exchanges among participants are not fixed but can be chosen or are evolving.

Because of its practical emphasis, market design does not rely on a simple methodology but combines theory, experiments, computations and empirical analysis. As a result, market design contributes to the development of these fields by raising and solving new questions. Also, because market design is more about a particular angle from which to look at issues, rather than a set of issues, it intersects and contributes to applied fields such as labor economics, industrial organization, environmental economics and others.

The purpose of this short course is to get students acquainted with the underlying research agenda and approaches in market design. We will use matching theory and its applications to the design of the US medical market for interns as an illustration. The rest of the course will focus on recent developments and open questions with an emphasis on two themes: (1) how do markets get created? And once, they are started how do they evolve, and (2) competition between markets and self-sorting into markets. In each case, we will develop some of the relevant theory and discuss applications.

Prerequisites

First year graduate micro sequence (graduate micro I and II) or equivalent. Permission of the instructor otherwise.

Schedule

Monday April 23, 2007: 2-4 pm
Wednesday April 25, 2007: 12-2 pm
Monday April 30, 2007: 2-4 pm
Wednesday May 2, 2007: 12-2 pm
Monday May 7, 2007: 2-4 pm
Wednesday May 11, 2007: 12-2 pm

Course requirements

Two short problem sets + a research proposal on a market design idea

Grading

Problem sets (50%), Proposal (30%), participation in class (20%).