

## **ECON-S-519 Graduate Microeconomics III: Market Institutions and Market Design (24 hrs)**

Professor: Georg Kirchsteiger (Université Libre de Bruxelles)

### **Course description**

The topics of this course are the two-sided markets, the evolution of market institutions, and the design of matching markets. Each of these topics will be introduced by a lecture. Then the students write a seminar paper and present it in class. The grading is based on the seminar paper and the presentation.

### **Structure of the course and reading list**

#### 1) Two-sided Markets

##### i) Introduction

Jean-Charles Rochet and Jean Tirole (2006), Two-sided markets: a progress report, RAND Journal of Economics Vol. 37, No. 3, Autumn 2006 pp. 645-667

##### ii) Competition in Two-sided Markets

Jean-Charles Rochet and Jean Tirole (2003), Platform Competition in Two-sided Markets, Journal of the European Economic Association, Vol. 1, No. 4, pp. 990-1029

Mark Armstrong (2006), Competition in two-sided markets, RAND Journal of Economics, Vol. 37, No. 3, pp. 668-691

##### iii) Media and Two-sided Markets

Kaiser, U. and J.Wright (2006), Price structure in two-sided markets: Evidence from the magazine industry, International Journal of Industrial Organization, Volume 24, Issue 1, January 2006, Pages 1-28

Simon Anderson and Jean Gabszewicz (2005), The Media and Advertising: A Tale of Two-sided Markets, CEPR Discussion Paper No. 5223

#### 2) Market Evolution

##### i) Introduction

Alós-Ferrer, C. and G. Kirchsteiger (2008), Learning and Market Clearing, mimeo.

##### ii) Centralized vs Decentralized Markets

Zvika Neeman and Nir Vulkan (2005), Markets Versus Negotiations: The Predominance of Centralized Markets, mimeo.

Tamar Kugler, Zvika Neeman, and Nir Vulkan (2006), Markets Versus Negotiations: an Experimental Analysis, with Tamar Kugler and Nir Vulkan, Games and Economic Behavior 56, 121-134.

### iii) Multiplicity of Markets

Anke Gerber and M. Bettzuege (2007), Evolutionary Choice of Markets, *Economic Theory*, 30, 453-472.

### iv) Market Evolution and Market Clearing

Alós-Ferrer, C. and G. Kirchsteiger (2006), General Equilibrium and the Emergence of (Non) Market Clearing Trading Institutions, CEPR Discussion Paper 5795, September 2006; forthcoming in *Economic Theory*.

Alós-Ferrer, C, G. Kirchsteiger, and M. Walzl (2010), On the Evolution of Market Institutions: The Platform Design Paradox (with C. Alós-Ferrer), *Economic Journal*, Vol. 120(543), March 2010, 215-243.

## 3) Design of Matching Markets

### i) Introduction

Alvin E. Roth (2002), The Economist as Engineer: Game Theory, Experimentation, and Computation, *Econometrica*, Vol. 70, No. 4, 1341–1378

### ii) Market for Physicians

Alvin E. Roth and Elliott Peranson (1999), The Redesign of the Matching Market for American Physicians: Some Engineering Aspects of Economic Design, *American Economic Review*, Vol. 99, pp. 748–780.

Alvin E. Roth and Uriel G. Rothblum (1999), Truncation Strategies in Matching Markets-in Search of Advice for Participants, *Econometrica*, Vol. 67, No. 1, pp. 21-43

### iii) Market for Kidneys

Roth, Alvin E., Tayfun Sonmez , and M. Utku Unver (2007), Efficient Kidney Exchange: Coincidence of Wants in Markets with Compatibility-Based Preferences, *American Economic Review*, 97, 3, June 2007, 828-851.

Roth, Alvin E., Tayfun Sonmez, and M. Utku Unver, Kidney Exchange, *Quarterly Journal of Economics*, 119, 2, May, 2004, 457-488.

### iv) School and Course Allocation

Abdulkadiroglu, Atila , Parag A. Pathak, and Alvin E. Roth, Strategy-proofness versus Efficiency in Matching with Indifferences: Redesigning the NYC High School Match, *American Economic Review*, 99, 5, Dec. 2009, pp 1954-1978

Eric Budish and E Cantillon (2009), The Multi-unit Assignment Problem: Theory and Evidence from Course Allocation at Harvard, mimeo.