

# Matching Function and Matching Market

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Matching function . . . Aggregate function (or production function)

• Simple, well behaved, depends on a few aggregate variables

• Summarize a complex trade process that occurs on most markets

• Complexity of trade requires sellers/buyers to exert effort to trade.

- firms spend time/money on recruiting

- workers spend time/effort searching for job (LinkedIn)

- consumers do market research (Yelp, Google, WineCutter, TripAdvisor)

- firms spend money on marketing advertising

• With matching function: bilateral monopoly

→ can assume a price norm

→ can be much more realistic