Department of Decision Sciences   **Department of Economics**

Economic Theory, Decision Theory and Experimental Economics Seminar

Stable Matching in Large Economies

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12:30pm Room 3-E4-SR03 Via Rontgen 1 Milano

Abstract

We study stability of two-side many to one two-sided many-to-one matching in which firms' preferences for workers may exhibit complementarities. Although such preferences are known to jeopardize stability in a finite market, we show that a stable matching exists in a large market with a continuum of workers, provided that each firm's choice changes continuously as the set of available workers changes. Building on this result, we show that an approximately stable matching exists in any large finite economy. We extend our framework to ensure a stable matching with desirable incentive and fairness properties in the presence of indifferences in firms' preferences.

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