



# Chapter 2

## Markets for Breakfast and Through the Day

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# Markets are everywhere

- ▶ Markets bring participants who want to transact
  - > When markets get thicker...? Congestion!
- ▶ Solve Congestion:
  - ✓ Commodity Markets: Price helps create a standard to evaluate more easily
  - ✓ Matching Markets: Evaluate individually
- ▶ Markets work freely -> well-designed rules

# Markets are everywhere

## ▶ Goal of designing market:

- ✓ Reduce the need to game the system
- ✓ If some gaming is inevitable, Make participation safe and simple

## ▶ Market design failures:

- ✓ Provide thickness
- ✓ Ease congestion
- ✓ Make participation safe and simple

# Markets for Breakfast and Through the Day

- ▶ Bread -> Where was it baked? -> Who grew the wheat then?
- ▶ Wheat market:
  - ✓ Matching market (Sample) -> Price alone failed to clear the market
  - > Commodity market -> Reliable grading system -> Make the market thick and safe -> Wheat future -> Make the market thicker
- ▶ Coffee market:
  - ✓ Matching market (Agent, sample) -> Creation of Ethiopia Commodity Exchange: Anonymous grading system -> Improve coffee harvest

# Challenges of Market Design

- ▶ Tension between commoditization and product differentiation
  - ✓ eg. Apple and Microsoft
- ▶ Tension between commodity and matching markets
  - ✓ To sellers
  - ✓ To buyers
- ▶ The Internet makes market more ubiquitous

# Other Markets - The Internet

- ▶ The Internet -> thicker
  - ▶ Eg. Taiwanese e-commerce
- ▶ About the matchmaker themselves:
- ▶ Ecosystem as an entry barrier
  - ▶ self-perpetuating
  - ▶ might reap huge profit

# Other Markets - Payment's market and future

- ▶ Payment's market
  - ▶ Different kinds of market in competition
  - ▶ Benefit whom?
- ▶ Simplicity of market design
- ▶ Taiwanese payment market

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Thank you for your  
attention and listening!