Econometrics: Alfred Galichon (Sciences Po)  
October 15th, 3:30pm – 5:00pm, Landau Building Room 139

“Costly Concessions: Estimating the Unintended Consequences of Policy Intervention in Matching Markets”  
(joint with Scott Kominers and Simon Weber)

ABSTRACT: When utility transfers are imperfect, the Becker–Coase theorem may fail---a policy intervention intended to enhance the welfare of agents on one side of a matching market may end up causing a strict welfare decrease for both sides of the market. But then, how can we predict whether a policy intervention will increase aggregate welfare in a matching market like a labor market or marriage market? To address this question, we introduce an empirical framework for models of matching with imperfectly transferable utility and unobserved heterogeneity in tastes. Our framework includes as special cases the classic fully- and non-transferable utility models, collective models, and settings with taxes on transfers, deadweight losses, and risk aversion. We characterize equilibria and conditions for identification, and derive comparative statics. Then, we show how to estimate the frictions affecting matched pairs' utility transfers. As an application, we use ACS data to estimate the magnitude of intra-household transfer frictions in the US marriage market and simulate counterfactual policy experiments.