

Defining the Model Solution in Terms of Visits

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Solution of the model: (RA/HA)

Definition:

correct anticipation

- Given \underline{x} , \underline{p} \underline{v}_i maximizes utility of household i s.t. budget constraint

- Matching process:

① $\underline{c}_i = g_i - p \cdot v_i$ (matching cost)

② $\underline{y}_i = q(x) \cdot v_i$ (matching function)

- Budget constraint gives \underline{m}_i

- Price p given by price norm

- Actual tightness is computed / given by aggregating visits & capacities

$$\alpha = \frac{V}{k} = \frac{\sum v_i}{\sum k_i}$$

(definition of market tightness)