Exercise 16.1: House Allocation

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Setup:

- two buyers 1 and 2
- two houses A and B
- values:

	House A	House B
Buyer 1	8	7
Buyer 2	6	3

Questions:

- What house does buyer 1 get in the welfare maximizing matching?
- What is the welfare of the optimal matching?

Lecture 16: Offline Matching

Course work:

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- Quiz 2 assigned tonight, due Wednesday night
- Project 5 assigned Wednesday

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Last Time:

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Today:

- externality pricing mechanism (a.k.a, Vickrey-Clarke-Groves, VCG)
- matching markets
- maximum weight matching
- market clearing
- duality

Exercise 16.2: House Pricing

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Setup:

- two buyers 1 and 2
- two houses A and B
- values:

	House A	House B
Buyer 1	8	7
Buyer 2	6	3

Questions:

- Are prices $p_A = 5$ and $p_B = 3$ market clearing?
- Are prices $p_A = 7$ and $p_B = 7$ market clearing?
- What is price for House A in Ascending Prices Algorithm?
- What is price for House B in Ascending Prices Algorithm?