Econ 393 is your third course in microeconomic theory. Some of the fourth year courses require you to read and understand working papers or articles in economic theory. At the beginning of 393 we worked through monopoly and monopsony. You may have wondered what happens in markets where there is one seller and one buyer. The survey paper by Wright et al. on this web site discusses some of the models of this kind of market. The matching technology in Wright is mathematically identical to the constant returns to scale production function note on this web site.

Assignment 11: please follow the submission rules on the course outline and email me your answer to the question below before noon Friday July 24th.

Read the note on production functions on the web site and then work through the first 12 pages of the Wright survey (up to the beginning of section 2.2). Try to draw Figure 1 for the case where the matching technology is Cobb Douglas e.g. \( \mu(n_1, n_2) = n_1^a n_2^{1-a}, 0 < a < 1 \).