

$$v = c * \frac{1}{q(x) - p}$$

Services required for matching

$$p \times v = c * \frac{p}{q(x) - p}$$

Services required for matching & consuming 1 service.

$$\tau(x) \equiv \frac{p}{q(x) - p}$$

$\tau(x)$ is the matching wedge

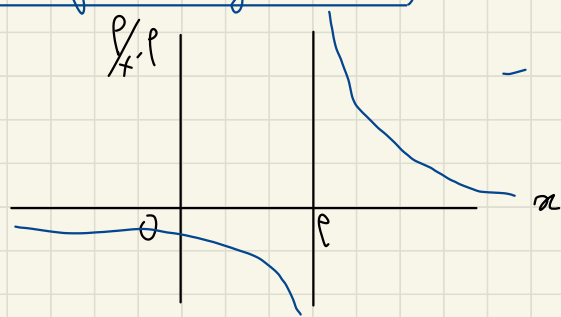
To consume 1 service, household purchases

$$1 + \tau(x) \text{ services}$$

↑
consumption

↑
matching

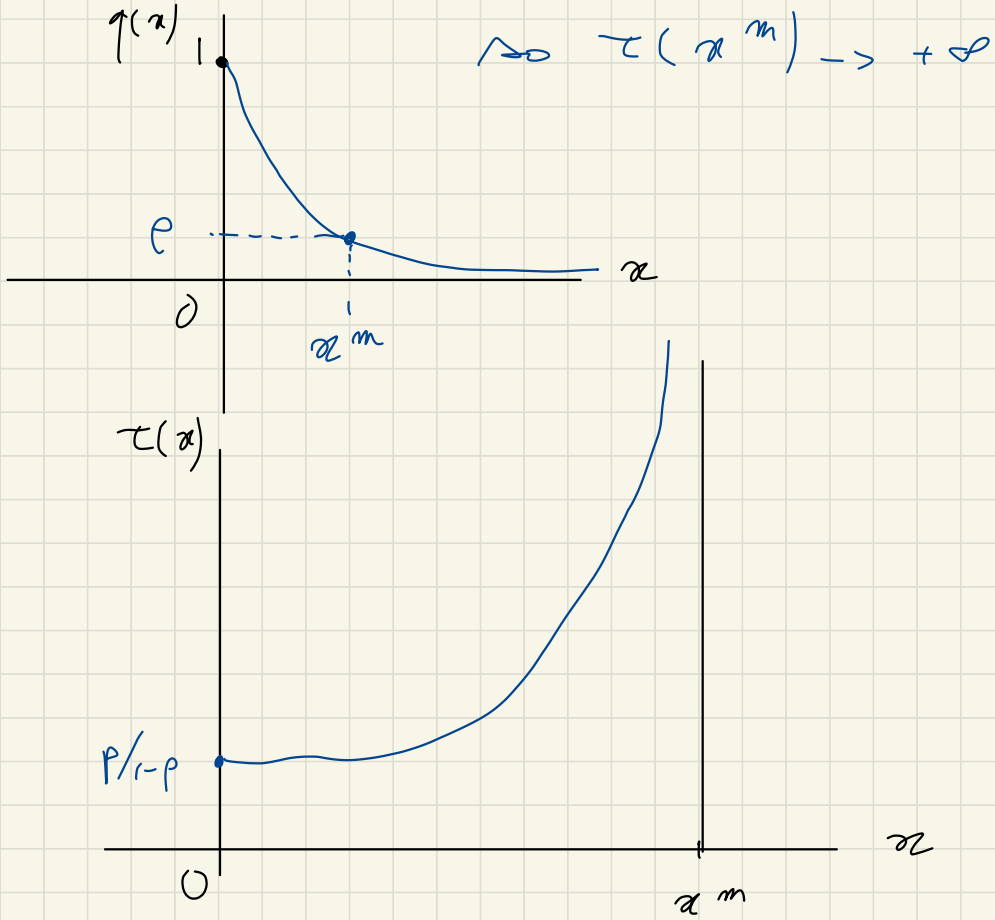
Properties of $\tau(x)$



- $\tau(0) = p / (1 - p)$

- $\tau(x)$ increasing in x
(b/c $p/(x-p)$ is \downarrow)

- $\tau(x) \rightarrow +\infty$ when $q(x) = p$



When the market is tighter, visits are less likely to be successful, so the household must devote more resources to matching \rightarrow the matching wedge is larger, it is more costly to consume things