

## A REVIEW OF YI-CHENG ZHANG'S MATCHMAKERS AND MARKETS: THE REVOLUTIONARY ROLE OF INFORMATION IN THE ECONOMY

Laxmi Raj BHATTA<sup>a</sup>

<sup>a</sup> Lecturer of Economics at Morgan International College, Kathmandu, Nepal, klaxmanbhatta@gmail.com, <https://orcid.org/0000-0001-7227-6880>

### ABSTRACT :

*This book review paper explores complexity economic theory, challenging to traditional theories by emphasizing the evolving role of information and digital intermediaries, or "matchmakers," in modern market dynamics. The author critiques mainstream economic theories, focusing on how market mechanisms and growth theory transform in a networked economy where information plays a crucial role in shaping consumer behavior, market design, and economic growth. While the writer introduces new concepts without empirical evidence, they provide relevant contextual analysis. As a result, the book can be particularly valuable for readers without an economics background seeking to understand the modern economy.*

**Keywords :** Information Goods, Network Economy, complex Economic Theory, and matchmakers.

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Book Review



## INTRODUCTION

The rapid development of IT innovations has increased the interconnections among individuals. Modern economies rest massively on technologically enabled networks that bridge the globe. This shifted the world economy into a new system where every activity can be done digitally. It can affect every part, such as society, human activities, the labor market, and politics. Amid such a situation, Switzerland based Chinese professor wrote a new book *Matchmakers and Markets: The Revolutionary Role of Information in the Economy*, where the writer contributes a detailed exploration of the "network economy" by fixing the role of "matchmakers," in reorganizing economic growth, market design, and the financial system through the information circulation to market key agents.

The book analyses the main theme of the modern networking economic system, where the information of the digital age plays a vital role to determine the situation of the market.

## INFORMATION GOODS

Surprisingly, the book gives high importance to information goods, different from mainstream economic theory, and their particular role in the economy. According to the writer, information goods are different from traditional goods because their value depends on contents or dissemination. Zhang emphasizes that information goods have a vital role in both goods and financial markets. The information goods, along with matchmakers, can change the market direction towards improvement. Furthermore, the value of information goods in Zhang's framework is closely tied to the role of matchmakers, who act as intermediaries to help consumers navigate the vast range of available options, thereby helping consumers make informed choices. Zhang argues that in an information economy, the role of matchmakers is essential to manage the digital markets, where information goods continuously evolve and diversify based on consumer needs and preferences. The writer claimed that there is a sharp distinction between natural resources and information resources. Furthermore, the writer writes that natural resources are limited, whereas the information resources are unlimited. We can use the information resources many times without

depleting the quality and increasing the cost of resources.

## MARKET DESIGN

Prof. Zang, interestingly uses a different concept of market, opposite to neo-classical economic theory. His theory is related to complex economy, where the information, circulated by matchmakers, plays a significant role in changing the cognitive power of both buyers and sellers. Akerlof's "Lemons Problem" supports this point by depicting how market inefficiency occurs because of information asymmetry between two parties (Zhang, 2005).

The writer criticizes the core concepts of neo-classical theory, i.e., perfect information and resource allocation, are outdated while mirroring modern economic realities. He accepts that today's economy is directed towards the evolutionary process of "informational selection," which denotes "info cap of consumers" prepares them to make better information alternatives and runs businesses to innovate new concepts to create new products and services. The outcome is a "magic pie" effect, which means consumers are better informed, and they demand a wider variety of products, advancing businesses toward actively creating new resources and value. Furthermore, the book emphasizes the essential role of "matchmakers" as the bridge between consumers and businesses, directing the flow of information to help consumers make better decisions. He even introduces the concept of the "personal assistant" (PA), a potential future technology designed to further enhance consumer info cap, helping individuals find out more.

## GROWTH THEORY

The Great Depression of the 1930s represented a significant shift in economic theory, instructing Keynes to question classical economic principles and surfacing the way for the development of models such as the Harrod-Domar growth models. Later, Solow's growth model introduced technology as an important factor that can be used in various ways. Hidalgo (2017) put forward a new concept of market where information goods can change the market structure. Likewise, Yi-Cheng Zhang developed a new growth theory, centered on the dynamic roles of demand, supply, and information intermediaries, or matchmakers, to shape the economy.



The writer elaborates that as consumers' information capabilities increase ("info cap"), so does the demand for diverse goods and services. This knowledge-driven demand stimulates production and fosters a more diversified market landscape, with growth arising from continuous innovation and the creation of new products. This leads to a self-reinforcing cycle: improved access to information enhances consumer decision-making, which pressures businesses to innovate, leading to more options and adaptations in the market. Unlike traditional models, Zhang's growth theory views the economy as a complex and evolving ecosystem without a fixed equilibrium. In his framework, matchmakers reduce transaction costs, facilitate knowledge flow, and support growth by enabling both better-informed consumer decisions and producer adaptability. This growth theory emphasizes that as the economy becomes more information-rich, markets can support a wider array of products and business models, expanding GDP through product diversification rather than just volume. Zhang's ideas resonate with other contemporary economic thinkers, such as Hidalgo, who also emphasize human and social capital as growth drivers. For Hidalgo, economic growth depends on collective knowledge and networked social capital concepts (Hidalgo, 2015).

### **METAMORPHOSIS IN SYSTEM**

In *Matchmakers and Markets*, Prof. Zhang provides a fresh perspective on the economy by analyzing its metamorphosis as a complex and ever-evolving system. Unlike traditional economic models, which often rely on static curves and assume equilibrium, Zhang suggests that the economy should be viewed through a modular, open, and dynamic lens. This approach moves away from the concept of finite resources and introduces the idea of transforming limited resources into unlimited potential, emphasizing continuous innovation and adaptability.

One of the unique aspects the writer discusses is the representation of economic relationships not as continuous curves but as discrete "dots." Curves imply a smooth, causal relationship between two variables, which can be misleading in the context of actual market dynamics, where relationships are far more unpredictable. By using dots, Zhang argues for a more precise depiction of the economy, one that captures the discrete and varied nature of interactions within the market.

This method highlights the non-linear, complex nature of economic evolution, where different parts of the system operate with distinct dynamics and are influenced by the flow of information, technological advancements, and consumer preferences.

Zhang's view of the economy as an inherently complex system aligns with modular and open frameworks. Each module or segment of the economy—such as consumer markets, financial markets, and information intermediaries—operates with its unique structure and complexity. These components are not isolated but deeply interconnected, continuously influencing each other and leading to new economic configurations. Zhang suggests that this interwoven, modular structure allows for flexibility and adaptability, enabling the economy to evolve much like a natural ecosystem but driven by economic and informational pressures rather than biological ones.

### **FINANCIAL MARKET**

The book provides a thought-provoking analysis of the financial market, exploring how it both parallels and diverges from the consumer market. Zhang argues that while financial markets share similarities with consumer markets, they are far more complex and influenced by a broader range of factors. Central to his view is the pivotal role of information, which flows through the market via intermediaries or "matchmakers." These information brokers have a profound impact on investor decision-making and market dynamics, but unlike consumer markets, the information in financial markets is often ambiguous and incomplete, making it harder for participants to make fully informed choices. He emphasizes that in financial markets, price is not the sole determining factor. Whereas consumer markets often see prices as the primary influence on consumer decisions, financial markets are affected by a web of interconnected variables, including market sentiment, geopolitical events, and economic indicators. Investors in financial markets must therefore investigate numerous elements beyond price alone, such as corporate health, industry trends, and broader economic shifts, to make sound investment decisions.

Furthermore, the writer discusses how the information circulated by intermediaries can have both positive and negative impacts on investors' cognitive processes. These matchmakers aim to



bridge information gaps, but their influence is double-edged; while they can help investors make better-informed decisions, they can also skew perceptions by filtering, framing, or even distorting information. This contrasts with the consumer market, where product information is often clearer and more easily verified.

### OVERALL ASSESSMENT OF THE BOOK

Let me evaluate the book overall. After studying this book, I experienced new feelings in comparison to other books that I have studied during my academic career. My primary appreciation is that the book is written up-to-date when the world economy is transforming its structure from physical to digital, and it may be a valuable resource for academicians, policymakers, and researchers.

The book is a long essay that explores ideas like markets, the role of information goods, and system changes. Readers without an economics background can understand the book because the author uses simple, descriptive language instead of complex economic theories. However, reading it can feel lacking in excitement because the main ideas are connected to many fields, like computer science, sociology, economics, and network science. While having some knowledge of economics helps in understanding the book fully, it's easier to read compared to traditional economics textbooks.

In the book, the author frequently uses terms like matchmakers, information, and platforms throughout the chapters. These terms are often repeated to explain different topics, such as growth theory, financial markets, and goods markets. The concept of markets evolving from equilibrium to non-equilibrium is a groundbreaking idea that requires further research in the future. The author envisions markets as evolving systems with no endpoint, emphasizing the dynamic relationship between demand, supply, and matchmakers. This approach highlights how consumer knowledge influences market interactions, driving towards economic growth and innovation.

For the quantitative analysis of economic behavior, the writer employs a conceptual shift from linearity to non-linearity, particularly within networking systems. Traditional econometric methods often fail to capture accurately the actual behaviors of the market. In contrast, agent-based modeling is more appropriate as it examines the

behaviors of individual market agents in detail. In this way, this is a new concept in comparison to mainstream economic theory.

In all, the book is readable and fruitful to every person because it will provide detailed information on the modern economic system.

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