

## ABSTRACT

We analyze matching markets with stochastic types: agents' payoff-relevant characteristics are realized after matching takes place, and matches are formed based on ex-ante attributes. We derive conditions for positive/negative assortative matching which relate properties of the match payoff function with the stochastic order imposed on the distributions of the agents' characteristics. Within this framework we analyze the matching of CEOs to firms in a principal-agent setting. We find that CEOs are substantially mismatched: while there are strong complementarities in output, ex ante types are barely predicting ex post types. The loss due to mismatch is 1.5% of the total market value, which is multiple times the total value of compensation. At the same time, mismatch has a very small effect on effort. This indicates that screening and corporate governance to ensure that the right candidate is selected are more important than the provision of incentives.