

Faculti Summary

<https://faculti.net/losing-face/>

This video describes a presentation about a research paper focusing on "matching markets" or "marriage markets," which involve how people form pairs or match up. The authors, Macau and the speaker, express their interest in exploring how human behavior, particularly fears of rejection and loss of face, affect the efficiency of these markets. They argue that traditional economic models often overlook these emotional factors, which can lead to inefficiencies and reduced matching activity—particularly impacting labor markets where shyness can hinder job applications and offers.

The research employs game-theoretic modeling to analyze the behavior of individuals in matching scenarios. Players in the model receive signals about each other's value (or type) before deciding whether to propose a match, with the authors suggesting that players will have "threshold strategies" for making these decisions. However, when loss of face is factored in, players may become more conservative and picky, which ultimately reduces overall matching activity and leads to potential economic consequences like increased unemployment.

Additionally, the paper discusses the implications of asymmetric loss of face, where one side of the market may be more affected than the other, and proposes potential policy measures to mitigate these effects, such as conditionally anonymous environments for proposals to alleviate fears of rejection.

The research finds parallels with real-life platforms like Tinder, which use algorithms that address these issues effectively. The authors emphasize the need for empirical studies to validate their theoretical findings, exploring how personal shyness and loss of face influence matchmaking and access to partners in various contexts. Ultimately, the study aims to highlight the significance of behavioral aspects in economic theories of matching markets.