

DATING AS LEARNING

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Dissertation Abstract

There is currently a large literature on marriage markets with and without frictions (see, for example, Becker (1973), Burdett-Coles (1997), Shimer-Smith (2000)). In these studies it is typically assumed that when two singles meet, they learn instantly all relevant information to make the marriage decision there and then. In this study, I investigate the situation where singles meet, but they do not learn everything about the payoff to marrying the other—just a noisy signal.

Given two singles meet and learn the noisy signal about the payoff to marriage, they can choose one of three options: first, they can separate forever; second, they can choose to marry immediately; finally, they can choose to date. If they date or marry, they accrue information about the other over time, which may change the expected payoff to marriage to at least one of them. Marriage yields a greater utility flow, but subsequent separation is more costly, relative to dating. Of course, the singles may have conflicting views about whether to marry, date, or separate. This is resolved with a game theoretic framework. The object of the study is to characterize the set of noisy signals that will lead to dating rather than marriage, or separating forever.

Although I follow throughout a marriage market framework, the results obtained can easily be applied to a labor market framework. It is reasonable to argue that a typical firm does not know all about a potential employee when they first meet. Further, a worker does not have full information about the benefits that accrue if employment is accepted. Both know, however, that they will learn over time the true payoff to the match if they form an employment relationship. Further, it is costly at least to the firm, if one wants to separate after the worker begins to work at the firm. In such a situation, the firm and worker may choose to form a temporary relationship and test rigorously before

forming a permanent relationship. Whether this type of model describes the market will depend on whether a state can be formed in which separating is costless and information can accrue.

I describe the set of signals for which dating and accruing information is preferred to both marrying and separating upon meeting, as well as sets of signals for which marriage and separating are preferred. Of course, when one learns about the other, the couple will again have to reconsider whether they want to marry, date, or separate; and I describe the conditions for which a couple will marry, date, or separate when one knows true match quality as well. Couples in which both people know true match quality will not prefer to date, as flow utility is lower and there is no new information to accrue. The set of signals for which couples date is not quite intuitive, as people may not prefer to date when they fear their partners are likely to leave them, nor will dating necessarily be as valuable if one expects to be confronted with an ultimatum in the near future.