

James Fisher

Presentation Title

Fuzzy Reciprocity: Contracting Limitations in Bidirectional Matching Markets

Abstract

We introduce a one-to-one matching market where workers and firms exert efforts to produce benefits for their partners. We characterize how contracting limitations (due, for instance, to social institutions and technological constraints) shape the relationship between benefit production and receipt in stable allocations. In the absence of limitations, the market exhibits a sharp “ordinal reciprocity,” wherein the k -th largest benefit producing worker pairs with the k -th largest benefit producing firm. In contrast, in the presence of limitations, only a “fuzzy reciprocity” obtains, wherein a worker who produces a benefit in the k -th “largest” worker benefit-set pairs with a firm who produces a benefit in the k -th “largest” firm benefit-set. As limitations evaporate, these sets shrink to singletons and ordinal reciprocity obtains.

Keywords

Bidirectional investment, contracting limitations, benefit production and receipt, reciprocity, matching with contracts, and stability.

Affiliation

USAA