

Learning about one's own type: a search model with two-sided uncertainty

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Abstract

This paper examines the movement of an individual's reservation level over time in a two-sided search model with two-sided imperfect self-knowledge, where agents are vertically heterogeneous and do not know their own types. Agents who do not know their own types update their beliefs about their own types through the offers or rejections they receive from others. The results in this paper show that an agent with imperfect self-knowledge revises his or her reservation level downward when the agent receives a rejection that has some information about his or her own type. In contrast, an agent with imperfect self-knowledge revises his or her reservation level upward when the agent receives an offer from an agent of the opposite sex who is of lower type than the reservation level. This upward revision of an agent's reservation level is due to the environment of two-sided imperfect self-knowledge.

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Key Words: two-sided search; learning; imperfect self-knowledge

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