

WCAS Center for Economic Theory  
Kellogg Center for Mathematical Studies in  
Economics and Management Science  
**Bag Lunch Theory Seminar**

**Thursday, April 23**

12:15-1:15pm

Jacobs **G27**

**Willemien Kets**

**NU Kellogg MEDS Dept.**

*A belief-based theory of homophily*

(with Alvaro Sandroni)

**ABSTRACT:** We introduce a model of homophily that does not rely on the assumption of homophilous preferences. Rather, it builds on the dual process account of Theory of Mind in psychology which focuses on the role of introspection in decision making. Homophily emerges because players find it easier to put themselves in each other's shoes when they share a similar background. The model delivers novel comparative statics that emphasize the interplay of cultural and economic factors. Whether homophily is socially optimal depends crucially on the degree of economic stability.

<http://www.kellogg.northwestern.edu/research/math/centerinfo/baglunch.htm>