

Discussion of What's in a Picture? Evidence of Discrimination from Prosper.com

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Picture Information

- Decision to post a picture is endogenous
- Are the characteristics of loans without a picture the same as those with a picture?
- In text: Listings without pictures are 3 percentage points less likely to fund

Profitability of Picture Information

- Additional test for accurate statistical discrimination:
- If people are profit-maximizing, then the net return from loans with any picture should be higher than loans without pictures

Identifiable Victim Effect

- Individuals are more likely to help an identifiable victim than unidentified
 - Effect reverses for identified groups
 - Effect reverses for “in-group” vs “out-group”
- Here we do observe the effect in that loans with pictures are more likely to fund

Bias at the Market Level

- Authors conclude that either:
 - Accurate statistical discrimination against blacks + taste-based discrimination against whites

OR

- Insufficient statistical discrimination, which implies biased beliefs at the market level

Bias at the Market Level

- Determinants for a bias surviving to the market are:
 - Are the actions of “rational” and “irrational” types strategic complements or strategic substitutes?
 - How thick is the market?