Starting with the work of Gary Becker, Edward Lazear, and Sherwin Rosen, economists have investigated both theoretically and empirically the workings of internal labor markets. Professor Waldman will cover both classic and more recent papers on this subject focusing on human capital theory, job assignment models, and the role of promotion in incentive provision. Although most of the focus will be on theoretical contributions, there will also be a discussion of how the various theories are related to the main findings in the empirical literature.

Specific topics that will be covered include: i) why firms invest in general human capital; ii) implications of the task-specific perspective on human capital accumulation; iii) the signaling role of promotions; and iv) classic and market-based approaches to the incentive role of promotions.
COURSE OUTLINE AND READINGS

OVERVIEW PAPERS


Papers with a ** below are papers that will be covered in some detail, while those with a * will be covered but in less detail. Other papers listed are important related papers some of which will be briefly mentioned.

1. Human Capital Theory


2. Static Job Assignment Models


3. Dynamic Job Assignment Models


October 1988.


4. Promotion Incentives – The Classic Approach


5. Promotion Incentives – The Market Based Approach


ADDITIONAL PAPERS


