

The Transfer of Human Capital

by

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ABSTRACT

Most of our productive knowledge was handed down to us by previous generations. The transfer of knowledge from the old to the young is therefore a cornerstone of productivity growth. We study this process in a model in which the old sell knowledge to the young -- old agents train the young, and charge them for this service. We take an information theoretic approach in which training occurs if a young agent watches an old agent perform a task.

Equilibrium is not constrained Pareto optimal. The old have private information, and this gives rise to an adverse selection problem: some old agents manage to sell skills that the planner would prefer to extinguish so as to allow more young agents to start new technologies. In this sense, there is too much resistance to change.

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