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Equilibrium selection in the Spence signaling game. (English) Zbl 0741.90012
Game equilibrium models II. Methods, morals, and markets, 263-288 (1991).

Summary: [For the entire collection see [Zbl 0729.00018](#).]

The paper studies the most simple version of the Spence job market signaling model in which there are just two types of workers while education is not productivity increasing. To eliminate the multiplicity of equilibria, the general equilibrium selection theory of J. Harsanyi and R. Selten is applied. It is shown that without invoking Pareto comparisons, the Harsanyi/Selten theory selects Wilson's E_2 -equilibrium as the solution. The main elements in the analysis are the study of primitive equilibria and of the tracing procedure. The analysis sheds light on the "evolutive" and the "eductive" aspects of Harsanyi and Selten's theory and it also allows a better understanding of the older, non game theoretic literature on signaling.

MSC:

[91B44](#) Economics of information
[91B50](#) General equilibrium theory
[91A80](#) Applications of game theory
[91B40](#) Labor market, contracts (MSC2010)

Cited in **2** Documents

Keywords:

job market signaling; general equilibrium selection theory; Wilson's E_2 -equilibrium; primitive equilibria; tracing procedure