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Dear Selection Committee,

I am a PhD candidate in Managerial Economics and Strategy at the Kellogg School of Management, Northwestern University. I began my PhD program in Fall 2021 and am currently in my fifth year, with an expected graduation in Summer 2027.

As an aspiring organizational economist, I would like to attend the NBER Digital Economics and AI Tutorial to deepen my understanding of how AI is transforming economic institutions and to integrate these insights into my research agenda. Studying AI in organizations is important for organizational economics because AI changes the fundamental conditions under which firms make decisions, allocate resources, and coordinate work. Organizational economics has long focused on issues such as information asymmetries, incentives, transaction costs, and the boundaries of the firm. AI technologies directly reshape these factors by altering how information is generated, processed, and used within firms. As AI improves prediction, classification, and optimization, it changes what tasks can be automated, how decisions are structured, and which organizational designs become efficient. Understanding these shifts is essential for explaining why firms adopt particular structures or governance mechanisms in an AI-enabled economy.

AI also influences the allocation of decision rights. Traditionally, decision-making authority is delegated based on human expertise, monitoring difficulty, and the need for local knowledge. When AI systems can provide real-time analytics or recommendations, the optimal distribution of authority may shift, potentially centralizing some decisions while decentralizing others that benefit from augmented human judgment. For organizational economists, this raises new questions about incentive design, as AI can complement or substitute for human labor in ways that affect performance measurement, compensation schemes, and monitoring.

Moreover, the adoption of AI alters transaction and coordination costs, which are central to the theory of the firm. If AI reduces the costs of coordinating across market participants or improves contract enforcement through better forecasting and anomaly detection, it may shift the boundary between what firms choose to internalize versus outsource. Conversely, the need for proprietary data to train AI models may encourage firms to internalize more activities to protect and consolidate data assets. These countervailing forces make AI an important empirical and theoretical frontier for understanding firm boundaries and market structure.

Finally, AI raises strategic and competitive considerations that feed back into organizational design. Firms that successfully integrate AI may benefit from scale economies, learning advantages, or network effects, influencing industry concentration and bargaining power. Organizational economics helps explain why some firms capture these gains more effectively than others, depending on their internal incentive systems, culture, and ability to reconfigure processes. Studying AI within organizations therefore provides insight not only into technological change but

also into how economic institutions adapt to it, making it a central topic for modern organizational economics. This tutorial represents a unique opportunity to engage with leading researchers, explore emerging topics in digital economics and AI, and apply these concepts to my work on information frictions and incentives in organizations.

My personal research interests lie in applied microeconomic theory and organizational economics. My current projects focus on how information frictions, formal and informal incentives, and market conditions shape organizational decisions, firm performance, and labor market dynamics. Below, I detail my ongoing research projects:

1. **Price Discovery in Labor Markets: Why Do Firms Say They Cannot Find Workers?** (with Benjamin Friedrich and Michal Zator)
Abstract: Managers often report that labor constraints – defined as the inability to find workers – are a major obstacle to firm growth. In this paper, we analyze why firms report labor constraints, instead of pre-empting this problem with the simple remedy prescribed by economic theory – to increase wages. Using German vacancy and establishment data, we document that constraints reflect real recruiting difficulties, are prevalent among growing firms, and reduce subsequent growth and profitability. Firms that report constraints initially underpay their workers, increase wages later, and a quasi-exogenous increase in wages alleviates their problems. Which underlying mechanisms explain this slow wage adjustment? Because we find that standard search frictions alone cannot match the empirical patterns, we build a dynamic matching model in which firms face imperfect information about market competition, wage spillovers to incumbents, and downward wage rigidity. Our evidence is consistent with a key role for firms' inaccurate beliefs about market wages. Hiring difficulties are prevalent for peripheral occupations, and when firms compete in dispersed labor markets spanning industries and wage tiers, consistent with infrequent, costly learning about workers' outside options. We also find some suggestive evidence consistent with dynamic wage considerations and only weak evidence on wage spillovers.

2. **Blame-shifting Delegation**
Abstract: Why do organizational leaders sometimes hold on to tasks outside their expertise or, conversely, delegate tasks they are better suited to perform themselves? This paper proposes a signaling model in which a principal, who privately knows both their ability and the project's type, chooses either to retain control or delegate to a specialist agent. An external observer sees the principal's choice and a noisy project outcome, and updates beliefs about the principal's ability. Absent reputational concerns, principals delegate purely according to comparative advantage, maximizing project success. Introducing reputation distorts this: low-ability principals over-retain well-aligned projects in hopes of producing a favorable outcome and signaling higher competence, while high-ability principals over-delegate misaligned projects to shift blame and shield their reputation from outcome risk. The two distortions intersect at an intermediate ability level; over-retention dominates when ability variance shrinks slowly and expertise is broad, whereas over-delegation prevails otherwise. Stronger reputational incentives amplify both distortions, generating systematic misallocation and lowering expected organizational performance. The model offers a unified explanation for persistent inefficiencies in settings such as medicine, politics, and corporate management, and suggests that reducing reputation-driven frictions may improve organizational outcomes.

3. **Credibility, Learning, and Dynamics in Frictional Labor Markets**
Abstract: How do market conditions affect the dynamics of long-term self-enforcing relationships under commitment problems and uncertainty? We develop a theoretical model of a frictional labor market where principals and agents form bilateral matches with initially unknown quality, endogenizing outside options and incorporating Bayesian learning via effort-informative outputs. In partial equilibrium, we characterize non-stationary equilibria where effort increases with beliefs about match quality, reflecting a credibility-learning tradeoff: tight markets (high rematching probabilities) force principals to "start small" with low initial effort to sustain bonuses, but also encourage higher effort to accelerate revelation and cleanse bad matches. A threshold belief separates regimes where credibility binds (gradual dynamics) from learning dominance (faster revelation), with low outside options amplifying gradualism compared to the complete-information benchmark's instant selection. In general equilibrium, aggregate turnover arises from opposing channels—credibility slows revelation (reducing separations) while higher separation thresholds speed cleansing—with the net effect yielding higher turnover in tight markets under weak informativeness. Larger principal mass loosens rematching, inducing more "starting small" but faster aggregate cleansing. These results imply that market pressure explains empirical patterns like survivorship bias and honeymoon effects, suggesting policies to subsidize information could mitigate inefficiencies in relational contracting.

4. **Global Employers, Local Effects: Foreign Wage Premiums and Domestic Firm Adaptation** (with Aaron Wolf)
Abstract: We study how multinational enterprises (MNEs) distort domestic firms' human capital investments in developing economies through poaching risks, using matched employer-employee tax records from South Africa. We document a robust MNE wage premium that persists even after workers return to domestic firms, indicating that MNEs impart portable general skills rather than just screening for innate ability, with stronger effects among skilled workers. In response to exogenous increases in local MNE labor demand, domestic firms face heightened poaching threats, leading them to significantly reduce investments in verifiable general skill training that signals worker quality to competitors, and instead shift toward uncertified, firm-specific training that conceals ability and preserves informational rents. This substitution raises search frictions, enabling talent retention but crowding out employment and elevating wages at domestic firms due to competitive pressure. These results reveal a "transparency tax" of globalization, where poaching risks incentivize domestic firms to prioritize defensive opacity over productive efficiency, ultimately diminishing the aggregate stock of transferable human capital and long-term productivity in middle-income economies.

My dissertation is in progress and focuses on topics within my research agenda described above. My committee members are Niko Matouschek (chair), Mike Powell, Nemanja Antic, and Daniel Barron.

Thank you for considering my application. I look forward to the possibility of learning from this event.

Sincerely,
Alison