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Wyman Park 526
Office hours:
W 9:00-11:00 and by appt

Johns Hopkins
Fall, 2016

Economics 651
Labor Economics
Tuesday 3:00-5:30, Hodson 311

Economics 651 is a graduate survey course in labor economics. The course covers most of the classic topics in labor, including labor supply, labor demand, wage structure, human capital, compensating wage differentials, and job search. Reflecting the field, much of the material will be empirical in nature and will use advanced econometric techniques.

The list of course topics and readings is attached. Those readings with an asterisk will be available on Blackboard; the others are available online from the JHU library system and you can obtain them there. All lectures will be posted on the course Blackboard website at least one day in advance; you should print hard copies for yourself. A supplemental reading list has also been posted on Blackboard.

Additional volumes that may be of special interest are the Handbook of Labor Economics (HLE), Vols 1 and 2 edited by Orley Ashenfelter and Richard Layard, Vols. 3A-3C edited by Orley Ashenfelter and David Card; Vols. 4A and 4B edited by Ashenfelter and Card; and an undergraduate labor text, such as Ronald Ehrenberg and Robert Smith, Modern Labor Economics.

In addition to the regular lectures, I will give two supplemental econometric lectures on causal modeling in microeconomics, at a time to be mutually agreed on. These lectures are required.

The requirements for the course are (1) grades on three short quizzes spread throughout the semester, dates to be announced later (45%), (2) a long written report on a paper to be discussed in class (15%), (3) a series of short written critiques of those same papers (20%), and (4) a report on a recent job market paper in labor economics (20%).

For (2) and (3), a paper is assigned in each topic on the Reading List below. For each paper, one or two students will prepare a 5-page double-spaced report containing both a summary and a

comment-critique of the paper. All other students will prepare a 2-page double-spaced report containing only a comment-critique of the same paper. At the end of each lecture, the student(s) preparing the long paper will give a 10-minute oral presentation of the report, and a class discussion will follow. Both the long and short reports will be turned in after the discussion ends. I will assign students to the papers after the first class (although you can also volunteer for them).

For (4), a list of the papers and instructions on how to prepare your report will be posted on Blackboard soon. The report is due at the end of the Exam period (December 22).

Use of computers, tablets, and mobile phones during class is not allowed except during paper discussion periods.

10/25/16

Required Readings

(starred items are available on course Blackboard website)

I. Static Labor Supply

A.Deaton and J.Muellbauer, Economics and Consumer Behavior, Chap 4.1 and Chap 11, pp.273-287*

R.Blundell and T.MaCurdy, "Labor Supply: A Review of Alternative Approaches," HLE, Volume 3A, pp. 1586-1591*

W.Greene, Econometric Analysis, 5th Ed., 21.1-21.4.2, 22.1-22.2.3, 22.4-22.4.3; or J.Wooldridge, Econometric Analysis of Cross Section and Panel Data, 2nd Ed., 15.1-15.4, 16.1-16.3, 17.1-17.4, 17.5.4, 19.1, 19.3-19.6.1 (especially 19.6.1); or Cameron and Trivedi, Microeconometrics: Methods and Applications, 16.1-16.6 (especially 16.5-16.6), 16.9.3

M.Killingsworth, Labor Supply, 1983, Chap.3 (87-129), Chap.4 (179-206)*

Discussion Paper: M.Bar, S.Kim, and O.Keukhina, "Gender Wage Gap Accounting: The Role of Selection Bias" Demography, October 2015.

II. Application: Labor Supply Effects of Taxes and Transfers

Blundell-MaCurdy, HLE, pp.1563-1572*

C.Meghir and D.Phillips, "Labour Supply and Taxes," In Dimensions of Tax Design, eds. Stuart Adam et al., 2010, pp.206-217.*

Discussion Paper: Blundell, R.; M. Costas Dias; C. Meghir; and J. Shaw. 2013. "Female Labour Supply, Human Capital, and Welfare Reform." *

III. Household Production

G.Becker, "A Theory of the Allocation of Time," EJ, 1965

T.Juster and F. Stafford, "The Allocation of Time: Empirical Findings, Behavioral Models, and Problems of Measurement," JEL, June 1991 (pp.471-481 only)

M.Aguilar and E.Hurst, "Measuring Trends in Leisure: The Allocation of Time Over Five Decades," QJE, August 1997.

Discussion Paper: Aguiar, Mark; Erik Hurst; and Loukas Karabarbounis, "Time Use During the Great Recession," AER, August 2013.

IV. Collective Models

T.Bergstrom. "A Survey of Theories of the Family." Handbook of Population and Family Economics, Vol.1A, ed. M. Rosenzweig and O. Stark, 1997, pp.34-35*

R.Blundell and T.MaCurdy, "Labor Supply: A Review of Alternative Approaches," HLE, Volume 3A, pp.1661-1663*

P.Kooreman and A. Kapteyn, "On the Empirical Implementation of Some Game Theoretic Models of Household Labor Supply," JHR, Fall 1990, pp.584-592 only

Discussion Paper: P-A.Chiappori, B.Fortin, and G.Lacroix, "Marriage Market, Divorce Legislation, and Household Labor Supply," JPE, February 2002.

V. Intertemporal and Life-Cycle Labor Supply

Blundell-MaCurdy, 1591-1607*

M.Keane, "Labor Supply and Taxes: A Survey," JEL, December 2011, selected sections: 3, 4.1, 4.4, 4.6, 5.1, 5.2, 6.2.1, 6.2.4, 6.2.5, Table 6, 7.1, 7.4.1, Table 7 (will not cover all material in these sections)

Z.Eckstein and K.Wolpin, "Dynamic Labour Force Participation of Married Women and Endogenous Work Experience," Review of Economic Studies, July 1989.

Discussion Paper: E. French, "The Effects of Health, Wealth, and Wages on Labour Supply and Retirement Behavior," Review of Economic Studies, April 2005.

VI. Labor Demand, Equilibrium, and Wage Structure

R.Freeman, "The Effect of Demographic Factors on the Age-Earnings Profile," JHR, Summer 1979, pp.289-291, 303-304, 309-313 only.

R.Freeman, "Overinvestment in College Training?" JHR, Summer 1975, pp. 287-289,305-307 only.

L.Katz and K.Murphy, "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," QJE, February, 1992, pp.35-54 only.

D.Card and J.DiNardo, "Skill-Biased Technological Change and Rise Wage Inequality: Some Problems and Puzzles," J Labor Economics, October 2002, mainly pp.733-737 (will only summarize the rest).

D.Autor, F.Levy, and R.Murnane, "The Skill Content of Recent Technological Change: An Empirical Exploration," QJE, Nov 2003, pp.1279-1287.

Discussion Paper: D.Autor, L.Katz, and M.Kearney, "The Polarization of the U.S. Labor Mkt," AER, May 2006

VII. Compensating Wage Differentials and Hedonics

T.Kniesner and J.Leeth, "Hedonic Wage Equilibrium: Theory, Evidence, and Policy," Foundations and Trends in Microeconomics, Vol. 5, No. 4, 2009, pp.229-241 only.*

S.Rosen, "The Theory of Equalizing Differences," in HLE, Vol.1, 1986, pp. 661+ only*

Discussion Paper: T.Kniesner, W.K. Viscusi, C.Woock, and J. Ziliak, "The Value of a Statistical Life: Evidence from Panel Data," REStat, February 2012.

VIII. Roy Model

A.D.Roy, "Some Thoughts on the Distribution of Earnings," OEP, 1951

Maddala, Limited Dependent Variable Models pp.257-260*

J.Heckman and G.Sedlacek, "Heterogeneity, Aggregation, and Market Wage Functions: An Empirical Model of Self-Selection in the Labor Market," JPE, December 1985 (pp.1077-1090 only)

IX. Human Capital and Education

R.Ehrenberg and R.Smith, Chap 5, 9 (selections)*

G.Becker, Human Capital, 1964 Appendix to Chap 3*

J.Mincer,Schooling, Experience, and Earnings,1974,Chaps 1,5*

Y.Ben-Porath,"The Production of Human Capital and the Life Cycle of Earnings," JPE,1967

R.Willis and S.Rosen,"Education and Self-Selection," JPE,October, 1979

D.Card. "Estimating the Return to Schooling: Progress on Some Persistent Econometric Problems." Econometrica, September 2001

Discussion Paper: Carneiro, P. and J. Heckman, "The Evidence on Credit Constraints in Post-Secondary Schooling," Economic Journal, October 2002.

X. Job Search

D.Mortensen,"Job Search and Labor Market Analysis," HLE,Vol.2,1986*

N.Kiefer and G.Neumann,"An Empirical Job-Search Model, with a Test of the Constant Reservation-Wage Hypothesis," JPE,February,1979

T.Lancaster,"Econometric Models for the Duration of Unemployment" Econometrica,July,1979

K.Wolpin,"Estimating a Structural Search Model: The Transition from School to Work," Econometrica,July 1987