

Syllabus: Seminar in Labor Economics I  
Economics 8676  
Fall 2019  
Mon-Wed 10:30AM - 11:45A  
ECON 5

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Office: ECON 206C  
Office Hours: Thurs. 10:00AM-Noon, Fri. 10:00AM - 11:00AM

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## 1 Course Format

This course is designed to expose students to the current frontier of research on a collection of prominent topics within Labor Economics. The goal is to develop students' understanding of (a) how to evaluate both individual articles and the literature more generally within a particular topic, and (b) how to generate ideas for research that will advance the field.

With this goal in mind, for each topic I will provide an overview of the key theoretical and econometric issues relevant to the topic, and lead a discussion of the methods and findings of several important papers. For most units, students who have been assigned particular articles from the reading list will give 35 minute presentations covering the background, theory, data, methods, and results from the paper, along with possible avenues for follow-up research. Other students are expected to ask questions during the presentation. If you prepare a handout for your presentation (a good idea), make sure that you send it to me by e-mail by midnight the day before class (in PDF format!).

Students will also be asked to submit short (1/2 page) summaries or analysis of the primary reading for the day. These are primarily meant to ensure that each student has done the requisite reading and is prepared to contribute to the class discussion.

## 2 Assignments and Grading

You will be graded on your presentation (20%), a final take-home exam (proposal) (30%), two applied problem sets (35%), and class participation/summaries (15%).

The first problem set will involve replicating the results of Willis and Rosen (1979), which will be covered early in the semester. For the second problem set will involve coding the estimation of a very simple dynamic discrete choice model. The final exam will consist of a thorough paper proposal (further detail to be provided later in the course). Guidelines will be provided for the in-class presentation. The class participation score will be based on attendance, oral participation in class, and the reading summaries described above.

### 3 General Reference Materials

ANGRIST, J. D., AND J.-S. PISCHKE (2008): *Mostly harmless econometrics: An empiricist's companion*. Princeton university press.

ASHENFELTER, O., AND D. CARD (1999): *The Handbook of Labor Economics, Volumes 3a-c*. Amsterdam: North Holland Press.

——— (2010): *Handbook of labor economics*. Elsevier.

CUHUC, P., AND A. ZYLBERBERG (2004): *Labor Economics*. MIT Press, Chapter 2.

EHRENBERG, R., AND R. SMITH (2008): *Modern Labor Economics, 10th Edition*. Pearson/Addison Wesley, Chapters 3-5.

GIBBONS, R. (1992): *Game Theory for Applied Economists*. Princeton: Princeton University Press.

HAMERMESH, D. (1993): *Labor Demand*. Princeton University Press, Chapters 1-3.

MATYAS, L., AND P. SEVESTRE (2008): *The Econometrics of Panel Data, 3rd Edition*. Berlin: Springer-Verlag.

### 4 Course Topics and Associated Reading Lists

\$ indicates a required reading, to be discussed in class.

# indicates a paper to be presented by a student.

#### 4.1 Empirical Methods in Labor Economics

ADDA, J., AND R. COOPER (2003): *Dynamic economics: quantitative methods and applications*. The MIT Press.

AGUIRREGABIRIA, V., AND P. MIRA (2010): “Dynamic discrete choice structural models: A survey,” *Journal of Econometrics*, 156(1), 38–67.

ANGRIST, J., AND A. KRUEGER (1999): “Empirical Strategies in Labor Economics,” in *Handbook of Labor Economics: Vol. 3A*, ed. by O. Ashenfelter, and D. Card, pp. 1277–1366. North Holland: Amsterdam.

- BLUNDELL, R., AND M. C. DIAS (2009): “Alternative Approaches to Evaluation in Empirical Microeconomics,” *Journal of Human Resources*, 44(3).
- CHARNESS, G., AND P. KUHN (2011): “Lab Labor: What Can Labor Economists Learn from the Lab?,” *Handbook of Labor Economics*, 4, 229–330.
- CHRISTENSEN, B. J., AND N. KIEFER (2009): *Economic modeling and inference*. Princeton Univ Pr.
- IMBENS, G., AND T. LEMIEUX (2008): “Regression Discontinuity Designs: A Guide to Practice,” *Journal of Econometrics*, 142, 615–635.
- KEANE, M. (2010): “Structural vs. Atheoretic Approaches to Econometrics,” *Journal of Econometrics*, 156(1), 3–20.
- MEYER, B. (1994): “Natural and Quasi-Experiments in Economics,” NBER Working Paper 170.
- ROTHENBERG, T. (1971): “Identification in Parametric Models,” *Econometrica*, 39(3), 577–591.
- WOLPIN, K. (2007): “Ex Ante Policy Evaluation, Structural Estimation and Model Selection,” *American Economic Review*, 97(2), 48–52.

## 4.2 Labor Supply

- § BURTLESS, G., AND J. HAUSMAN (1978): “The Effect of Taxation on Labor Supply,” *Journal of Political Economy*, 86(6), 1103–1131.
- § CHETTY, R. (2011): “Bounds on Elasticities with Optimization Frictions: A Synthesis of Micro and Macro Evidence on Labor Supply,” NBER Working Paper 15616.
- § ECKSTEIN, Z., AND K. WOLPIN (1989): “Dynamic Labour Force Participation of Married Women and Endogenous Wage Growth,” *Review of Economic Studies*, 56(3), 375–390.
- # FARBER, H. S. (2015): “Why you can’t find a taxi in the rain and other labor supply lessons from cab drivers,” *The Quarterly Journal of Economics*, 130(4), 1975–2026.

- # MARTINEZ, I. Z., E. SAEZ, AND M. SIEGENTHALER (2018): “Intertemporal Labor Supply Substitution? Evidence from the Swiss Income Tax Holidays,” Discussion paper, National Bureau of Economic Research.
- ALTONJI, J. (2001): “Intertemporal Substitution in Labor Supply: Evidence from Micro Data,” *Journal of Political Economy*, 94(3), 176–215.
- BECKER, G. (1965): “A Theory of the Allocation of Time,” *Economic Journal*, 75(299), 493–517.
- BLUNDELL, R., AND T. MACURDY (1999): “Labor Supply,” in *Handbook of Labor Economics: Vol. 3*, ed. by O. Ashenfelter, and D. Card, pp. 1559–1695. North Holland: Amsterdam.
- CAMERER, C., L. BABCOCK, G. LOEWENSTEIN, AND R. THALER (1997): “The Labor Supply of New York City Cab Drivers: One Day at a Time,” *Quarterly Journal of Economics*, 112(2), 407–441.
- EISSA, N., AND J. LIEBMAN (1996): “Labour Supply Response to the Earned Income Tax Credit,” *Quarterly Journal of Economics*, 111(2), 605–637.
- FEHR, E., AND L. GOTTE (2007): “Do Workers Work More If Wages Are High? Evidence From a Randomized Field Experiment,” *American Economic Review*, 97(1), 298–317.
- GOLDIN, C. (2014): “A grand gender convergence: Its last chapter,” *The American Economic Review*, 104(4), 1091–1119.
- HECKMAN, J. J. (1974): “Shadow Prices, Market Wages, and Labor Supply,” *Econometrica*, 42(4), 679–694.
- (1979): “Sample Selection Bias as a Specification Error,” *Econometrica*, 47(1), 153–162.
- IMBENS, G., D. RUBIN, AND B. SACERDOTE (2001): “Estimating the Effect of Unearned Income on Labor Supply: Evidence from a Survey of Lottery Players,” *American Economic Review*, 91(4), 778–794.
- KEANE, M., AND R. MOFFITT (1998): “A Structural Model of Multiple Welfare Program Participation and Labor Supply,” *International Economic Review*, 39(3), 553–589.
- LANG, K., AND S. KHAN (1991): “The Effect of Hours Constraints on Labor Supply Estimates,” *Review of Economics and Statistics*, 73(4), 605–611.

ZARESANI, A. (2019): “Adjustment costs and incentives to work: Evidence from a disability insurance program,” .

### 4.3 Labor Demand

# ACEMOGLU, D., AND P. RESTREPO (2017): “Robots and Jobs: Evidence from US Labor Markets,” Discussion paper, National Bureau of Economic Research.

\$ ACEMOGLU, D., AND P. RESTREPO (2018): “Artificial intelligence, automation and work,” Discussion paper, National Bureau of Economic Research.

\$ AUTOR, D., L. KATZ, AND M. KEARNEY (2006): “The Polarization of the U.S. Labor Market,” *American Economic Review*, 96(2), 189–194.

# AUTOR, D. H., D. DORN, AND G. H. HANSON (2013): “The China syndrome: Local labor market effects of import competition in the United States,” *The American Economic Review*, 103(6), 2121–2168.

\$ COOPER, R., J. HALTIWANGER, AND J. WILLIS (2004): “Dynamics of Labor Demand: Evidence From Plant-Level Observations and Aggregate Implications,” NBER Working Paper 10297.

\$ HAMERMESH, D., AND G. PFANN (1996): “Adjustment Costs in Factor Demand,” *Journal of Economic Literature*, 34(3), 1264–1292.

# MEER, J., AND J. WEST (2016): “Effects of the minimum wage on employment dynamics,” *Journal of Human Resources*, 51(2), 500–522.

ACEMOGLU, D., AND P. RESTREPO (2018): “The race between man and machine: Implications of technology for growth, factor shares, and employment,” *American Economic Review*, 108(6), 1488–1542.

AUTOR, D. H. (2015): “Why are there still so many jobs? The history and future of workplace automation,” *The Journal of Economic Perspectives*, 29(3), 3–30.

AUTOR, D. H., D. DORN, G. H. HANSON, AND J. SONG (2014): “Trade adjustment: Worker-level evidence,” *The Quarterly Journal of Economics*, 129(4), 1799–1860.

- BEWLEY, T. (1995): “A Depressed Labor Market as Explained by Participants,” *American Economic Review*, 85(2), 250–254.
- BROWN, C. (1999): “Minimum Wages, Employment, and the Distribution of Income,” in *The Handbook of Labor Economics, Vol. 3, Part 2*, ed. by O. Ashenfelter, and D. Card, pp. 2101–2163. North Holland: Amsterdam.
- BRYNJOLFSSON, E., AND A. MCAFEE (2014): *The second machine age: Work, progress, and prosperity in a time of brilliant technologies*. WW Norton & Company.
- DINARDO, J., AND D. CARD (2002): “Skill-Biased Technical Change and Rising Wage Inequality: Some Problems and Puzzles,” *Journal of Labor Economics*, 20(4), 733–783.
- HAMERMESH, D. (1993): *Labor Demand*. Princeton University Press, Chapters 1-3.
- HELLERSTEIN, J., AND D. NEUMARK (2007): “Production Function and Wage Equation Estimation with Heterogenous Labor: Evidence from a New Matched Employer-Employee Data Set,” in *Hard-to-Measure Goods and Services: Essays in Honor of Zvi Griliches*, ed. by E. Berndt, and C. Hulten. University of Chicago Press.

## 4.4 Human Capital Investment

- § BEN-PORATH, Y. (1967): “The Production of Human Capital and the Life Cycle of Earnings,” *Journal of Political Economy*, 75(4), 352–365.
- § KEANE, M., AND K. WOLPIN (1997): “The Career Decisions of Young Men,” *Journal of Political Economy*, 105(3), 473–522.
- # TODD, P., AND K. WOLPIN (2006): “Using Experimental Data to Validate a Dynamic Behavioral Model of Child Schooling: Assessing the Impact of a School Subsidy Program in Mexico,” *American Economic Review*, 96(5), 1384–1417.
- § WILLIS, R., AND S. ROSEN (1979): “Education and Self-Selection,” *Journal of Political Economy*, 87(5), S7–S36.
- BECKER, G. (1993): *Human Capital, 3rd Edition*. Columbia University Press, Read Part 1, pg. 29-158.

BLUNDELL, R., M. COSTA DIAS, C. MEGHIR, AND J. SHAW (2016): “Female labor supply, human capital, and welfare reform,” *Econometrica*, 84(5), 1705–1753.

CARD, D. (1999): “The Causal Effect of Education on Earnings,” in *Handbook of Labor Economics: Vol. 3A*, ed. by O. Ashenfelter, and D. Card, p. 1801:1863. North Holland: Amsterdam.

## 4.5 Evaluating the Productivity of Educational Inputs

§ CHETTY, R., J. N. FRIEDMAN, AND J. E. ROCKOFF (2014): “Measuring the impacts of teachers II: Teacher value-added and student outcomes in adulthood,” *The American Economic Review*, 104(9), 2633–2679.

§ DEMING, D., AND C. WALTERS (2017): “The impacts of price and spending subsidies on us postsecondary attainment,” *NBER Working Paper*.

# MURALIDHARAN, K., A. SINGH, AND A. J. GANIMIAN (2016): “Disrupting education? Experimental evidence on technology-aided instruction in India,” Discussion paper, National Bureau of Economic Research.

ALTONJI, J., T. ELDER, AND C. TABER (2005): “Selection on Observed and Unobserved Variables: Assessing the Effectiveness of Catholic Schools,” *Journal of Political Economy*, 113(1), 151–184.

ANGRIST, J., AND V. LAVY (1999): “Using Maimonides’ Rule to Estimate the Effect of Class Size on Scholastic Achievement,” *Quarterly Journal of Economics*, 114(2), 533–575.

ANGRIST, J. D., P. D. HULL, P. A. PATHAK, AND C. R. WALTERS (2017): “Leveraging lotteries for school value-added: Testing and estimation,” *The Quarterly Journal of Economics*, 132(2), 871–919.

BETTINGER, E. P., B. T. LONG, P. OREOPOULOS, AND L. SANBONMATSU (2012): “The Role of Application Assistance and Information in College Decisions: Results from the H&R Block Fafsa Experiment,” *The Quarterly Journal of Economics*, 127(3), 1205–1242.

CARD, D., AND A. KRUEGER (1992): “Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States,” *Journal of Political Economy*, 100(1), 1–40.

- CUNHA, F., J. HECKMAN, AND S. SCHENNACH (2010): “Estimating the Technology of Cognitive and Non-Cognitive Skill Formation,” *Econometrica*, 78(3), 883–931.
- DOBBIE, W., AND R. F. JR. (2011): “Are High-Quality Schools Enough to Increase Achievement Among the Poor? Evidence from the Harlem Children’s Zone,” *American Economic Journal - Applied Economics*, 3(3), 158–187.
- MEGHIR, C., AND S. RIVKIN (2010): “Econometric Methods for Research in Education,” NBER Working Paper 16003. Prepared for the Handbook of Education.
- OREOPOLOUS, P. (2006): “Estimating Average and Local Treatment Effects When Compulsory Schooling Laws Really Matter,” *American Economic Review*, 96(1), 152–175.
- TODD, P., AND K. WOLPIN (2003): “On the Specification and Estimation of the Production Function for Cognitive Achievement,” *The Economic Journal*, 113(485), F3–F33.

## 4.7 Amenities and Local Labor Markets

- § BAYER, P., R. MCMILLAN, A. MURPHY, AND C. TIMMINS (2016): “A dynamic model of demand for houses and neighborhoods,” *Econometrica*, 84(3), 893–942.
- # BUSSO, M., J. GREGORY, AND P. KLINE (2013): “Assessing the incidence and efficiency of a prominent place based policy,” *The American Economic Review*, 103(2), 897–947.
- § KLINE, P., AND E. MORETTI (2014): “People, places, and public policy: Some simple welfare economics of local economic development programs,” .
- § ROBACK, J. (1982): “Wages, Rents, and the Quality of Life,” *Journal of Political Economy*, 90, 1257–1278.
- § ROSEN, S. (1974): “Hedonic Prices and Implicit Markets: Product Differentiation in Pure Competition,” *Journal of Political Economy*, 82(1), 34–55.

- BAYER, P., F. FERREIRA, AND R. MCMILLAN (2007): “A Unified Framework for Measuring Preferences of Schools and Neighborhoods,” *Journal of Political Economy*, 115(4), 588–638.
- CHAY, K., AND M. GREENSTONE (2005): “Does Air Quality Matter? Evidence from the Housing Market,” *Journal of Political Economy*, 113(2), 376–424.
- CHETTY, R., N. HENDREN, AND L. F. KATZ (2016): “The effects of exposure to better neighborhoods on children: New evidence from the Moving to Opportunity experiment,” *The American Economic Review*, 106(4), 855–902.
- CHETTY, R., N. HENDREN, P. KLINE, AND E. SAEZ (2014): “Where is the land of Opportunity? The Geography of Intergenerational Mobility in the United States,” *The Quarterly Journal of Economics*, 129(4), 1553–1623.
- DIAMOND, R. (2016): “The determinants and welfare implications of US workers’ diverging location choices by skill: 1980-2000,” *American Economic Review*, 106(3), 479–524.
- ENRICO, M. (2011): “Local labor markets,” *Handbook of labor economics*, 4, 1237–1313.
- GREENSTONE, M., R. HORNBECK, AND E. MORETTI (2010): “Identifying agglomeration spillovers: Evidence from winners and losers of large plant openings,” *Journal of Political Economy*, 118(3), 536–598.
- KLINE, P., AND E. MORETTI (2013): “Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority,” *Quarterly Journal of Economics*, Forthcoming.

## 4.8 Labor Market Search/Wage Equilibrium

- § JAROSCH, G., J. NIMCSIK, AND I. SORKIN (2019): “Granular Search, Market Structure, and Wages,” .
- CAHUC, P., F. POSTEL-VINAY, AND J.-M. ROBIN (2006): “Wage Bargaining with On-the-Job Search: Theory and Evidence,” *Econometrica*, 74(2), 323–364.

- CHRISTENSEN, B. J., R. LENTZ, D. T. MORTENSEN, G. R. NEUMANN, AND A. WERWATZ (2005): “On-the-job Search and the Wage Distribution,” *Journal of Labor Economics*, 23(1), 31–58.
- CUHUC, P., AND A. ZYLBERBERG (2004): *Labor Economics*. MIT Press, Chapters 3 and 9.
- DAVIS, S. T., AND J. HALTIWANGER (1992): “Gross Job Creation, Gross Job Destruction, and Employment Reallocation,” *Quarterly Journal of Economics*, 107(3), 819–863.
- MANNING, A., AND B. PETRONGOLO (2017): “How local are labor markets? Evidence from a spatial job search model,” *American Economic Review*, 107(10), 2877–2907.
- MARINESCU, I. (2017): “The general equilibrium impacts of unemployment insurance: Evidence from a large online job board,” *Journal of Public Economics*, 150, 14–29.
- MARINESCU, I., AND R. WOLTHOFF (2016): “Opening the black box of the matching function: The power of words,” Discussion paper, National Bureau of Economic Research.
- MORTENSEN, D. (2003): *Wage Dispersion: Why Are Similar Workers Paid Differently?* Cambridge: MIT Press, All Chapters.
- MORTENSEN, D., AND C. PISSARIDES (1999): “New Developments in Models of Search in the Labor Market,” in *Handbook of Labor Economics, Volume 3 Part 2*, ed. by O. Ashenfelter, and D. Card. Amsterdam: North Holland Press.
- MOSCARINI, G. (2001): “Excess Worker Reallocation,” *The Review of Economic Studies*, 68, 593–612.
- PISSARIDES, C. (2000): *Equilibrium Unemployment Theory*. Cambridge: MIT Press.
- POSTEL-VINAY, F., AND J.-M. ROBIN (2002): “Equilibrium wage dispersion with worker and employer heterogeneity,” *Econometrica*, 70(6), 2295–2350.
- ROGERSON, R., AND R. SHIMER (2011): “Search in macroeconomic models of the labor market,” *Handbook of Labor Economics*, 4, 619–700.

SHIMER, R. (2005): “The Assignment of Workers to Jobs in an Economy with Coordination Frictions,” *Journal of Political Economy*, 113(5), 996–1025.

TABER, C., AND R. VEJLIN (2016): “Estimation of a royd, search, compensating differential model of the labor market,” Discussion paper, National Bureau of Economic Research.

## 4.10 Matching Markets

§ CHOO, E., AND A. SIOW (2006): “Who marries whom and why,” *Journal of political Economy*, 114(1), 175–201.

ABDULKADIROGLU, A., J. D. ANGRIST, Y. NARITA, AND P. A. PATHAK (2015): “Research Design Meets Market Design: Using Centralized Assignment for Impact Evaluation,” Discussion paper, Working paper.

CHIAPPORI, P.-A., M. IYIGUN, AND Y. WEISS (2009): “Investment in schooling and the marriage market,” *American Economic Review*, 99(5), 1689–1713.

CHIAPPORI, P.-A., AND B. SALANIE (2014): “The econometrics of matching models,” *forthcoming Journal of Economic Literature*.

CHOO, E. (2015): “Dynamic marriage matching: An empirical framework,” *Econometrica*, 83(4), 1373–1423.

FOX, J. T. (2009): “Structural empirical work using matching models,” *New Palgrave Dictionary of Economics. Online edition*.

——— (2010): “Identification in matching games,” *Quantitative Economics*, 1(2), 203–254.

GALICHON, A., AND B. SALANIÉ (2012): “Cupid’s Invisible Hand: Social Surplus and Identification in Matching Models,” .

ROTH, A. E., AND M. A. O. SOTOMAYOR (1992): *Two-sided matching: A study in game-theoretic modeling and analysis*, no. 18. Cambridge University Press.

SIOW, A. (2015): “Cohabitation Versus Marriage: Marriage Matching with Peer Effects,” Discussion paper, Working paper. Department of Economics, University of Toronto, Canada.