

**Economics 8676- Labor Economics
Fall 2006**

M/W 12:00-1:15 ECON 5

<http://www.colorado.edu/Economics/courses/mckinnis/econ8686>

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Office Hours

MW 11-12 , Thurs 10-11, and by appointment

Course Description

This is a graduate survey course in labor economics. The first 6 weeks of class will be a mini-course in applied econometric tools. This material will be tested on the first mid-term. The remaining 9 weeks of the semester will cover 3 key topic areas in labor economics: labor supply, human capital, and economics of the family. This material will be tested on the second midterm.

A primary goal of this course is to teach you to read and understand papers beyond the superficial “introduction and conclusion” summary. Over the course of the semester, we will discuss approximately 30 papers in class. Using the attached schedule, you are expected to bring a copy of the paper on the appropriate day, to have read the paper prior to class, and to be prepared to answer questions regarding the content of the paper if asked to do so.

There will be 7 problem sets, approximately 1 every 2 weeks. The predominant requirement of the problem sets will be to estimate and interpret econometric models with data, although theory exercises will occasionally be required as well.

The tentative schedule for the problem sets is:

PS#1- Differences-in-Differences, Panel Data, Due 9/15

PS#2- Instrumental Variables, Due 9/29

PS#3- Measurement Error, Due 10/13

PS#4- Labor Supply Estimation, Sample Selection, Due 10/27

PS#5- Ashenfelter and Krueger Twins Data, Due 11/10

PS#6- Training Program Evaluation, Matching, Due 12/1

PS#7- Economic Demography, Due 12/15

The final grades in the course will be determined by:

Midterm Exam: 30%

Final Exam: 40%

Problem Sets: 30%

Reading List and Schedule

I. Applied Econometrics

8/28, 8/30-Introduction, Differences-in-Differences

Eissa, Nada and Hilary Hoynes. 2004. "Taxes and the labor market participation of married couples: the earned income tax credit." *Journal of Public Economics*. 88: 1931-1958.

9/6- Panel-Data, Fixed-Effects

Stevenson, Betsey and Justin Wolfers. 2006. "Bargaining in the shadow of the law: divorce laws and family distress" *Quarterly Journal of Economics* 121:267-288.

9/11, 9/13- Instrumental Variables

Angrist, Joshua and Alan Krueger. 1991 "Does compulsory schooling attendance affect schooling and earnings?" *QJE* 106:969-1014

Bound, John, David Jaeger and Regina Baker. 1995 "Problems with Instrumental Variables Estimation when the Correlation between the Instruments and the Endogenous Explanatory Variable is Weak." *Journal of the American Statistical Association* 90:443-50.

9/18- Measurement Error

McKinnish, Terra. 2006. "Panel Data Models and Transitory Fluctuations in the Explanatory Variable," *Advances in Econometrics Vol. 21*, forthcoming.

9/20- Regression Discontinuity

Angrist, Joshua and Victor Lavy. 1999 "Using Maimonides' Rule to estimate the effect of class size on scholastic achievement." *QJE*. 114:533-575.

9/25, 9/27- Tobit and Heckman Selection Models

Mroz, Thomas. 1987. "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions." *Econometrica*. 55:765-99.

10/2- Matching Methods

Black, Dan and Jeffrey Smith. 2004. "How robust is the evidence on the effects of college quality? Evidence from Matching." *Journal of Econometrics*. 121: 99-124.

10/4 Midterm

II. Labor Supply

10/9, 10/11- Intro to Static Model

10/16, 10/18- Empirical Estimation of Static Model

Cogan, John. 1981. "Fixed Costs and Labor Supply." *Econometrica*. 49:945-63.

Burtless, Gary and Jerry Hausman. 1978 "The Effect of Taxation on Labor Supply." *Journal of Political Economy*. 86:1103-1130.

Gelbach, Jonah. 2002 "How Large an Effect Do Child Care Costs Have on Single Mothers' Labor Supply? Evidence Using Access to Free Public Schooling." *American Economic Review* 93:307-22.

10/23, 10/25- Life-Cycle Model

MaCurdy, Thomas. 1981 "An Empirical Model of Labor Supply in a Life-Cycle Setting." *JPE* 89:1059-85.

Altonji, Joseph. 1986, "Intertemporal Substitution in Labor Supply: Evidence from Micro Data." *JPE* 94:S176-S215.

10/30- Behavior Economics and the Life-Cycle Model

Camerer, Colin, Linda Babcock, George Lowenstein and Richard Thaler. 1997. "Labor Supply of NYC Taxi Cabdrivers: One Day at a Time." *QJE* 112:407-41.

III. Human Capital

11/1 Human Capital Model

Becker, Gary. 1962. *Human Capital*. Chapter 2.

Mincer, Jacob. 1974. *Schooling, Experience and Earnings*. Chapters 1-2.

11/6, 11/8 Estimating the Returns to Schooling and School Quality

Ashenfelter, Orley, and Alan Krueger. 1994. "Estimates of the Economic Return to Schooling from a New Sample of Twins." *AER* 84:1157-73.

Card, David and Alan Krueger. 1992. "School Quality and Black-White Relative Earnings: A Direct Assessment." *QJE* 107: 151-200.

Card, David and Alan Krueger. 1992 "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States." *JPE* 100:1-40.

11/13, 11/15- Estimating Returns to Training Programs

LaLonde, Robert. 1986. "Evaluating the Econometric Evaluations of Training Programs with Experimental Data." *AER* 76:604-20.

Heckman, James and V. Joseph Hotz. 1989. "Choosing Among Alternative Experimental Methods for Estimating the Impact of Social Programs: The Case of Manpower Training." *JASA* 84:862-74.

Smith, Jeffrey and Petra Todd. 2005. "Does Matching Overcome LaLonde's Critique of Non-Experimental Methods?" *Journal of Econometrics* 125: 305-353.

IV. Economics of the Family

11/27- Models of Household Production and Fertility

11/29- Household Bargaining Models

Pollak, Robert. 2006. "Inefficiency in Families," Working Paper.

11/4-12/13- Empirical Studies in Economic Demography

Schultz, Paul T. 1985. "Changing World Prices, Women's Wages, and the Fertility Transition: Sweden, 1860-1910." *JPE* 93:1126-54.

Angrist, Joshua and William Evans. 1998 "Children and Their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size." *AER* 88:450-77.

Hotz, V. Joseph, Susan McElroy and Seth Sanders. 2005. "Teenage Childbearing and It's Life-cycle Consequences: Exploiting a Natural Experiment." *Journal of Human Resources* 40:683-715.

Lunberg, Shelly and Elaina Rose. 2002. "The Effects of Sons and Daughters on Men's Labor Supply and Wages" *Review of Economics and Statistics* 251-268.

Bailey, Martha. 2006. "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life-Cycle Labor Supply. *QJE* 121: 289-320.

Donohue, John and Steven Levitt. 2001 "The Impact of Legalized Abortion on Crime." *QJE* 121: 379-420.

Bernal, Raquel. 2005. "The Effect of Maternal Employment and Child Care on Children's Cognitive Development." Working Paper.