

Economics 8676- Labor Economics 1
Fall 2008
M/W 9:00-10:15 ECON 5
www.colorado.edu/Economics/courses/mckinnis/econ8686

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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 midterm. 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 20 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 6 problems sets. 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 9/12
- PS#2- Instrumental Variables, Due 9/26
- PS#3- Measurement Error, Due 10/8
- PS#4- Labor Supply Estimation, Sample Selection, Due 10/24
- PS#5- Ashenfelter and Krueger Twins Data, Due 11/14
- PS#6- Training Program Evaluation, Matching, Due 12/5

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

8/25, 8/27- 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.

9/3- 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.

9/8, 9/10- 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.

9/15- Measurement Error

McKinnish, Terra. 2008. "Panel Data Models and Transitory Fluctuations in the Explanatory Variable," *Advances in Econometrics* Vol.21.

9/17- 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

9/22, 9/24- Tobit and Heckman Selection Models

9/29- Matching Methods

Black, Dan and Jeffrey Smith. 2005. "How robust is the evidence on the effects of college quality? Evidence from Matching." *Journal of Econometrics*. 121:99-124.

10/1 Midterm

II. Labor Supply

10/6, 10/8 – Intro to Static Model

10/13, 10/15- Estimation of Static Model

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

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.

10/20, 10/22- Life-Cycle Model

MaCurdy, Thomas. 1981. “An Empirical Model of Labor Supply in a Life-Cycle Setting.” *Journal of Political Economy*. 89:1059-85.

Camerer, Colin, Linda Babcock, George Lowenstein and Richard Thaler. 1996. “Labor Supply of NYC Taxi Cabdrivers: One Day at a Time.” *QJE* 112:407-41.

[No Class 10/27 and 10/29]

III. Human Capital

11/3- Human Capital Model

11/5, 11/10- 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.

Krueger, Alan and Stacy Dale. 2002. “Estimating the Payoff to Attending a More Selective College: An Application of Selection on Observables and Unobservables.” *QJE* 117: 1491-1527.

Heckman, James, Jora Strixrud and Sergio Urzua. 2006. “The Effects of Cognitive and Non-Cognitive Abilities on Labor Market Outcomes and Social Behavior.” *Journal of Labor Economics* 24:411-482

11/12- Program Evaluation and 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.

III. Economics of the Family

11/17, 11/19- Models of Household Production, Fertility and Household Bargaining

12/1-12/10- 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.

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.

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

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

Cristia, Julian. 2008. "The Effect of First Child on Female Labor Supply: Evidence from Women Seeking Fertility Services." *JHR* 43:487-510.

Dahl, Gordon and Enrico Moretti. "The Demand for Sons." Forthcoming, *Review of Economic Studies*.

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