

University of Colorado at Boulder
Department of Economics

Prof. Brian Cadena
brian.cadena@colorado.edu
(303) 492-7908
Website: CULearn
<https://culearn.colorado.edu>

Economics 8686: Graduate Labor 2, Spring 2011
Syllabus and Schedule
Office Hours: MW 12:30-1:30, 3:00-4:00
Economics 14A
Other times by appointment

Course Description:

The primary goal of this course is to prepare students for original research within the field of Labor Economics. Although we will focus on only a subset of topics, the skills you will learn will prepare you for work across numerous subfields. You will learn to recognize what makes a good paper, and you will gain an appreciation for the type of research being done on the frontier of the discipline. The course meets in Econ 5, each MW (1/10-4/27) from 10:30 AM – 11:45 AM, with the exceptions of MLK day (1/17) and Spring Break (3/21, 3/23).

Prerequisites:

To enroll in this course, you must have completed graduate level work in microeconomic theory and have exposure to some econometric training, at the equivalent level of the first year graduate sequence. Many of the papers we will read use applied econometric methods beyond those covered in the first year sequence. Although not strictly required, I would strongly recommend previous or concurrent exposure to such methods through either Econ 8676 or Econ 8848.

Course Materials:

There is no required textbook for this course, although students who have not had an undergraduate course in Labor Economics may find it useful to acquire an undergraduate textbook such as Borjas or Ehrenberg and Smith. The material to be mastered will be covered in lecture notes and the assigned articles, all of which will be posted or linked on the CULearn website.

Requirements and Grading:

Your grade will depend on your performance on a number of assignments, according to the chart below:

<u>Assignment</u>	<u>Weight</u>	<u>Due Date</u>
Class Participation/Readings	15%	Each class meeting with a paper
2 Referee Reports	10%	TBA
Class Presentations	10%	Various dates throughout the semester
Research Proposal/“Kill an Idea”	25%	4/29, 5 PM
Midterm Exam	20%	3/2 In Class (tentative)
Final Exam	20%	Saturday 4/30 7:30-10:00 PM

Class Participation/Readings You should read the articles assigned prior to coming to class and be prepared to answer questions and participate in discussions. Bring a copy (either paper or

electronic) of the papers we are discussing with you to class. In addition, please prepare a ½ page summary of each paper and bring it with you to class on the day that we discuss the paper. Your summary should include the following: the main research question, the data used in the analysis, the primary methodology including the identification strategy/central comparison, and any major limitations that you see in the paper. Part of this grade will come from successfully turning in a summary for each paper. The other portion will come from a careful review of a random sample of your summaries.

Referee Reports will be assigned twice during the semester as I find appropriate articles. I anticipate assigning at least one paper from our seminar series. You will be required to write a brief summary of the paper's methods and conclusions, followed by an analysis of the paper's strengths and weaknesses. You will receive specific instructions when I have selected the papers.

Class Presentations will occur at various times throughout the semester. You are encouraged to work in groups of two students, although you may work alone if there are enough papers to do so. You will present one of the papers from the reading list marked with *** for approximately 45 minutes. In the first 25-30 minutes, you will present the research as if it were your own, detailing the motivation, methodology, and results of the paper. In the remaining time, you will critique the paper and provide suggestions for how the paper could have been improved.

Research Proposal/"Kill an Idea": The goal of this course is to train you to be able to perform original research in Labor Economics. Two of the most difficult skills to acquire are 1) Coming up with original research ideas and 2) Knowing when to stop working on an idea. In order to help you hone these skills, you will select an original research idea, and attempt to "kill it". It may help to imagine that there is a deadline for a conference approaching and that you are trying to decide whether to submit an abstract and to commit to working on the project in earnest for the next several months. A successful project will accomplish the following things: motivate an original research question, identify and acquire data, formulate an identification strategy, and perform initial analysis to determine whether the project deserves continued work. In the best-case scenario, your idea will survive this initial testing, and you will continue to work on it beyond this course. However, you will not be graded on whether your idea "works". Instead, you will be graded on how well you have determined whether it is worth continuing to work on. The project need not relate to the topics we discuss in class. It could be based on material from 8676, or from a portion of Labor Economics beyond the scope of either course. In the end, I will be looking for a brief (5-8 pages) write-up of your work on the project. In general, this should be a new project that you have not previously worked on for another class (including the third year paper class). Also, for anyone enrolled in Econ 8848 concurrently, this should be a separate project from your replication for that class.

The Midterm will cover the material on labor demand, immigration, and the minimum wage. It is tentatively scheduled for March 2 during the regular class meeting time, although we may move the exam depending on how quickly we progress through the material.

The Final Exam will cover all of the material after the first midterm. Our assigned time from the Registrar is 7:30-10:00 PM on Saturday, 4/30/2010. University policy provides students

with three or more exams on the same day the right to reschedule exams following the first two.¹ Any student wishing to invoke this right should notify me as soon as possible and no later than February 28.

Final Letter Grades will be a weighted average of each of the components listed above. Prior to averaging, I will assign letter grades to each component based on the scores a good student at this level could reasonably be expected to attain.

Seminar Series: You are strongly encouraged to attend the seminar series, especially when the speaker presents on an applied micro topic. Learning to conduct and present original research is a key to your success in the discipline. These seminars are an excellent resource for you in that endeavor.

Late Assignments/ Missed Examinations Policy:

Referee Reports and the Research Proposal will be due by 5:00 PM on their due dates. Following a 5-minute grace period, I will deduct 25 percent from each assignment for each day it is late. Paper summaries turned in after the class period in which the paper is discussed will receive no credit. Other assignments submitted more than 2 days after the due date will receive no credit.

If you miss the midterm or the final exam you will receive no credit unless you provide documentation of a medical or family emergency. In the case of a legitimate emergency, the missed quiz or exam will be given no weight in the calculation of the final grade and other assignments will be reweighted accordingly. There will be no make-up exams. If you foresee any conflict that will prevent you from taking an exam, please let me know as soon as possible and at least two weeks beforehand.

¹ http://www.colorado.edu/policies/final_exam.html

Tentative Schedule

Topic	Tentative Dates
Introduction, First Paper	1/10, 1/12
MLK Day – NO CLASS	1/17
Theory of Labor Demand	1/19, 1/24
Immigration and Migration	
Labor Demand Application: Immigration and Native Wages – Competing Estimates	1/26, 1/31, 2/2
Individual Migration Decision – Roy Model and Applications	2/7, 2/9, 2/14
The Minimum Wage	
Models of the Minimum Wage	2/16
Empirical Analysis of the Minimum Wage	2/21, 2/23, 2/28
MIDTERM EXAM	3/2
Discrimination	
Models of Discrimination	3/7, 3/9
Blinder-Oaxaca and its limitations	3/14, 3/16
Spring Break – NO CLASS	3/21, 3/23
Other Empirical Estimates of Discrimination	3/28, 3/30, 4/4
Unions	
What do Unions Do?	4/6
Union Formation and Firm Survival	4/11
Unionization and Inequality	4/13
Pay Structure and Worker Performance (Incentives)	
Theoretical Overview	4/18
Evaluation of Piece Rates and Bonuses	4/20, 4/25
Wrap-Up	4/27
FINAL EXAM	4/30 7:30-10:00 PM

Other University Policies:

Campus policy regarding religious observances requires that faculty make every effort to deal reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, please inform me no later than two weeks prior to any conflict you foresee, sooner if possible, so that we can find an alternative arrangement for you to complete the requirements of the course. See full details at http://www.colorado.edu/policies/fac_relig.html

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs be addressed. Disability Services determines accommodations based on documented disabilities. Contact: 303-492-8671, Willard 322, and www.Colorado.EDU/disabilityservices

Students and faculty each have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with differences of race, culture, religion, politics, sexual orientation, gender, gender variance, and nationalities. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. See policies at <http://www.colorado.edu/policies/classbehavior.html> and at http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

The University of Colorado at Boulder policy on Discrimination and Harassment, the University of Colorado policy on Sexual Harassment and the University of Colorado policy on Amorous Relationships apply to all students, staff and faculty. Any student, staff or faculty member who believes s/he has been the subject of discrimination or harassment based upon race, color, national origin, sex, age, disability, religion, sexual orientation, or veteran status should contact the Office of Discrimination and Harassment (ODH) at 303-492-2127 or the Office of Judicial Affairs at 303-492-5550. Information about the ODH, the above referenced policies and the campus resources available to assist individuals regarding discrimination or harassment can be obtained at <http://www.colorado.edu/odh>

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council (honor@colorado.edu; 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

Reading List

The reading list is subject to revision prior to the start of each main topic, but these are the papers I currently plan to cover. Readings in bold will be discussed in class. Other readings are additional information for the interested student. Papers with *** after them will be presented by students as part of the assigned presentations.

1. Introduction and First Paper
 - **Card, D. The Impact of the Mariel Boatlift on the Miami Labor Market, *Industrial and Labor Relations Review*, Jan., 1990, 43, 245-257**
 - **Angrist, J. and Krueger, A., Empirical Strategies in Labor Economics *Handbook of Labor Economics*, 1999, 1296-1299, 1326-1329**
2. Theory of Labor Demand
 - a. **Lecture Notes**
 - **Hamermesh, D., The demand for labor in the long run, *Handbook of Labor Economics*, 1986, 429-471**
3. Labor Demand Application: Wage Effects of Immigration – Competing Estimates
 - Altonji, J. & Card, D. in Abowd, J. & Freeman, R. (ed.) The Effect of Immigration on the Labor Market Outcomes of Less-Skilled Natives, *Immigration, Trade, and the Labor Market*, University of Chicago Press, 1991, 201-234
 - **Borjas, G.; Freeman, R. B. & Katz, L. F., How Much Do Immigration and Trade Affect Labor Market Outcomes? *Brookings Papers on Economic Activity*, The Brookings Institution, 1997, 1997, 1-90**
 - **Card, D., Immigrant Inflows, Native Outflows, and the Local Market Impacts of Higher Immigration, *Journal of Labor Economics*, 2001, 19, 22-64**
 - **Friedberg, R. M., The Impact of Mass Migration on the Israeli Labor Market, *The Quarterly Journal of Economics*, Nov., 2001, 116, 1373-1408**
 - **Borjas, G. J. The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market *The Quarterly Journal of Economics*, 2003, 118, 1335-1374**
 - Card, D. & DiNardo, J., Do Immigrant Inflows Lead to Native Outflows? *The American Economic Review*, 2000, 90, 360-367
4. The Individual Migration Decision – Roy Model
 - **Lecture Notes**
 - Roy, A., Some Thoughts on the Distribution of Earnings *Oxford Economic Papers*, 1951, 3, 135-46
 - **Borjas, G., Self-Selection and the Earnings of Immigrants, *American Economic Review*, 1987, 77, 531-553**
 - *****Chiquiar, D. and Hanson G.H., International Migration, Self-Selection, and the Distribution of Wages: Evidence from Mexico and the United States, *Journal of Political Economy*, 2005, 113, 239-281**
 - ***** McKenzie, D. and Rapoport, H., Self-Selection Patterns in Mexico-U.S. Migration: The Role of Migration Networks *Review of Economics and Statistics* November 2010, Vol. 92, No. 4: 811-821**
5. Labor Demand Application - Minimum Wage
 - a. Models of the Minimum Wage

- **Lecture Notes**
- **Brown, C. in Ashenfelter, O. C. & Card, D. (ed.)**
Minimum wages, employment, and the distribution of income
Handboook of Labor Economics, 1999, 3, Part 2, 2101 - 2110
- b. Empirical Implications of the Minimum Wage
 - **Brown, C. in Ashenfelter, O. C. & Card, D. (ed.)**
Minimum wages, employment, and the distribution of income
Handboook of Labor Economics, 1999, 3, Part 2, remainder of article
 - **Card, D., Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage, *Industrial and Labor Relations Review*, 1992, 46, 22-37**
 - **Card, D. & Krueger, A. B., Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania, *The American Economic Review*, 1994, 84, 772-793**
 - *****Neumark, D. & Wascher, W., Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania: Comment, *American Economic Review*, 2000, 90, 1362-1396**
 - *****Card, D. & Krueger, A. B., Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania: Reply, *The American Economic Review*, 2000, 90, 1397-1420**
- 6. Discrimination
 - c. Models of Discrimination
 - **Lecture Notes**
 - **Becker, G. The Economics of Discrimination *University Of Chicago Press*, 1971**
 - **Aigner, D. J. & Cain, G. G., Statistical theories of discrimination in labor markets, *Industrial and Labor Relations Review*, 1977, 30, 175-187**
 - **Coate, S. & Loury, G. Antidiscrimination Enforcement and the Problem of Patronization *The American Economic Review*, 1993, 83, 92-98**
 - d. Blinder-Oaxaca and its Limitations
 - **Lecture Notes**
 - **Altonji, J. & Blank, R., Race and Gender in the Labor Market *Handbook of Labor Economics*, 1999, 3, 3143-3259**
 - **Barsky, R.; Bound, J.; Charles, K. & Lupton, J., Accounting for the black-white wealth gap: A nonparametric approach, *Journal of the American Statistical Association*, 2002, 97, 663-673**
 - e. Modern Empirical Tests of Discrimination
 - **Goldin, C. & Rouse, C. Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians *The American Economic Review*, 2000, 90, 715-741**
 - **Neal, D. & Johnson, W. The Role of Premarket Factors in Black-White Wage Differences *Journal of Political Economy*, 1996, 104, 869**
 - **Hellerstein, J.; Neumark, D. & Troske, K. Wages, Productivity, and Worker Characteristics: Evidence from Plant-Level Production Functions and Wage Equations *Journal of Labor Economics*, 1999, 17, 409-446**

- *****Bertrand, M. & Mullainathan, S. Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination *The American Economic Review*, 2004, 94, 991-1013**
- *****Charles, K. K. & Guryan, J. Prejudice and Wages: An Empirical Assessment of Becker's The Economics of Discrimination, *Journal of Political Economy*, 2008, 116, 773-809**

7. Unions

- f. What do Unions Do?
 - **Lecture Notes**
 - Farber, H. S. in Ashenfelter, O. C. & Layard, R. (ed.), *The Analysis of Union Behavior, Handbook of Labor Economics*, 1986, 2, 1039 - 1089
 - **Freeman, R., Longitudinal Analyses of the Effects of Trade Unions *Journal of Labor Economics*, 1984**
 - Krueger, A. & Mas, A., Strikes, Scabs, and Tread Separations: Labor Strife and the Production of Defective Bridgestone/Firestone Tires, *Journal of Political Economy*, 2004, 112, 253-289
- g. Union Formation and Firm Survival
 - **DiNardo, J. & Lee, D. Economic Impacts of New Unionization on Private Sector Employers: 1984-2001 *Quarterly Journal of Economics*, 2004, 119, 1383-1441**
- h. Unionization and Inequality
 - **DiNardo, J.; Fortin, N. & Lemieux, T., Labor Market Institutions and the Distribution of Wages: A Semiparametric Approach *Econometrica*, 1996, 64, 1001-1044**

8. Incentives

- i. Theoretical Overview
 - **Lecture Notes**
 - **Prendergast, C., The Provision of Incentives in Firms, *Journal of Economic Literature*, 1999, 37, 7-63**
 - Lazear, E. P., Salaries and Piece Rates, *The Journal of Business*, 1986, 59, 405-431
 - Lazear, E. P. & Rosen, S., Rank-Order Tournaments as Optimum Labor Contracts, *The Journal of Political Economy*, 1981, 89, 841-864
- j. Empirical Analysis of Piece Rates and Bonuses
 - **Lazear, E. P., Performance Pay and Productivity, *The American Economic Review*, 2000, 90, 1346-1361**
 - **Jacob, B. A. & Levitt, S. D., Rotten Apples: An Investigation of the Prevalence and Predictors of Teacher Cheating, *The Quarterly Journal of Economics*, The MIT Press, 2003, 118, 843-877**