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Office hours:
W 9:00-11:00 and by appt

Johns Hopkins
Fall, 2012

Economics 651
Labor Economics

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 student will prepare a 5-page double-spaced report containing both a summary and a comment-critique of the paper. All other students will prepare 2-page double-spaced report containing only a comment-critique of the

same paper. At the end of each lecture, the student preparing the long paper will give a 10-minute oral presentation of his or her 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.

For (4), a list of the papers and instructions on how to prepare your report are on Blackboard. The report is due at the end of the Exam period (December 21).

8/31/12

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, 1st Ed., 15.1-15.4, 16.1-16.4, 17.4.1)

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

Discussion Paper: F.Blau and L.Kahn, "Changes in the Labor Supply
Behavior of Married Women: 1980-2000," J Labor Economics, 2007.

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.*

R.Moffitt, "The Econometrics of Kinked Budget Constraints," JEP,
Spring 1990

Discussion Paper: R.Blundell, A.Duncan, and C.Meghir, "Estimating
Labor Supply Responses Using Tax Reforms," Econometrica, July
1998.

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

Discussion Paper: G.Ramey and V.Ramey, "The Rug Rat Race," Brookings Papers on Economic Activity Spring 2010.

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

A.Deaton and J.Muellbauer, pp.309-323*

Blundell-MaCurdy, 1591-1607*

T.MaCurdy, "An Empirical Model of Labor Supply in a Life Cycle Setting," JPE, December, 1981

H.Low, "Self-Insurance in a Life-Cycle Model of Labour Supply and Savings," RED, October 2005

Discussion Paper: D.Aaronson and E.French, "The Effects of Progressive Taxation on Labor Supply When Hours and Wages Are Jointly Determined," J Human Resources, Spring 2009.

VI. Labor Demand

R.Ehrenberg and R.Smith, Modern Labor Economics, Chaps.4-5 *

R.Freeman, "The Effect of Demographic Factors on the Age-Earnings Profile," JHR, Summer 1979

VII. Equilibrium and Wage Structure

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

D.Card and J.DiNardo, "Skill-Biased Technological Change and Rise Wage Inequality: Some Problems and Puzzles," J Labor Economics, October 2002

Discussion Paper 1: P.Beaudry, M.Doms; and E.Lewis, "Should the Personal Computer Be Considered a Technological Revolution? Evidence from U.S. Metropolitan Areas." JPE, October 2010.

Discussion Paper 2: D.Autor, L.Katz, and M.Kearney, "The Polarization of the U.S. Labor Mkt," AER, May 2006

VIII. Compensating Wage Differentials and Hedonics

S.Rosen, "Hedonic Prices and Implicit Markets: Product Differentiation in Pure Competition," JPE, Jan/Feb, 1974, pp.34-44 only

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

Discussion Paper: K.Bishop and C.Timmins, "Hedonic Prices and Implicit Markets: Estimating Marginal Willingness to Pay for Differentiated Products Without Instrumental Variables," NBER WP 17611, 2011.*

IX. 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)

Discussion Paper: S.Yamaguchi, "Tasks and Heterogeneous Human Capital," J Labor Economics, January 2012.

X. 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 1: A.Aakvik et al., "Measuring Heterogeneity in the Returns to Education Using an Education Reform." EER, May 2010.

Discussion Paper 2: G.Kambourov and I.Manovskii, "Occupational Specificity of Human Capital," IER, February 2009.

XI. 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

Discussion Paper: R.Chetty, "Moral Hazard Versus Liquidity and
Optimal Unemployment Insurance," JPE, April 2008.