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Wyman Park 526
Office hours: By appointment
(see below)

Johns Hopkins
Fall, 2022

Economics 651
Labor Economics
Tuesday 5:00-7:30
Wyman 604

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 relatively advanced econometric techniques.

The list of course topics and readings is given below. Those readings with an asterisk will be available on the course Canvas site; the others are available online from the JHU library system and you can obtain them there. Relatively few readings are assigned because they are mostly to be used as supplements to the lectures: the lectures are original and not directly based on the readings. All lectures will be posted on the course Canvas website at least four days in advance of the class where they will be presented. A guide to each week's readings will also be posted on Canvas.

Labor economics is a large field and has a long history. A supplemental reading list with extensive additional readings on each topic will be posted on Canvas soon.

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 Cahuc et al., Labor Economics, a graduate-level labor economics textbooks. There are many good undergraduate labor textbooks as well, written at a lower level (e.g., Borjas, 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.

Canvas will also be used for periodic announcements related to upcoming classes and meetings, and other topics. You will receive Canvas announcements in your email.

The requirements for the course are (1) grades on problem sets spread throughout the semester, dates to be announced later (25%), (2) in-class verbal summaries of Discussion papers, to be assigned later (25%), (3) short written comment-critiques of those same papers (25%), and (4) a course paper (25%).

For (2) and (3), each topic in the course (except the last) has a Discussion Paper. Each student will write a short report on each Paper containing a 2-page double-spaced "comment-critique." Those reports must be completed before the beginning of the class where the Paper will be discussed. During the class, one student will be asked to start the class discussion with a verbal summary of the paper. Then everyone will verbally provide their comment/critique.

For (4) all students need to write a course paper of approximately 15-20 double-spaced pages. Students should pick one topic on the Supplemental Reading List, read deeply in that topic (including papers not on that Reading List), and propose an idea for a new paper in that area--the new paper to be an extension of past work, or just something important that does not seem to have been done. The paper should have an Introduction (2 pages), a review of the existing literature (5-8 pages), and a proposal for a new idea together with theoretical rationale, possible data sets, and econometric approach. You must give me the Topic Area for your paper by end end of the Reading Period (December 13) and you are free to discuss your topic and work with me on it at any time. The report is due two weeks after the end of the Exam period, January 6, 2023.

Office Hours. I will generally be in my Wyman Office 9:00-11:00 on Wednesdays for meeting in-person or by Zoom. But you need to email me ahead of time if you plan on coming. I am available at other times by appointment, in-person or Zoom.

10/18/22

Required Readings
(Starred items will be made available
on the course Canvas website)
(The others are available online at MSEL)

I. Static Labor Supply

Theory:

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*

Econometrics:

B.Hansen, Econometrics, pp.364-368*

A.Cameron and P.Trivedi, Microeconometrics: Methods and
Applications, 2005, pp.546-553*

Empirical Work:

M.Killingsworth, Labor Supply, 1983, Tables 4.2-4.3*

R.Blundell and T.MaCurdy, "Labor Supply: A Review of Alternative
Approaches," HLE, Volume 3A, 1999, Tables 1-2*

C.Meghir and D.Phillips, "Labour Supply and Taxes," In
Dimensions of Tax Design, eds. Stuart Adam et al., 2010, pp.228-
235, 257-265*

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

Discussion Paper: M.Bar,S.Kim, and O.Keukhina, "Gender Wage Gap
Accounting: The Role of Selection Bias" Demography, October 2015.

II. Application: Labor Supply Effects of Taxes and Transfers

M.Chan and R.Moffitt, "Welfare Reform and the Labor Market,"
Annual Review of Economics, 2018. Pages 347-353, 356-358, 359-
366, 368, 371.

C.Meghir and D.Phillips, "Labour Supply and Taxes," In

Dimensions of Tax Design, eds. Stuart Adam et al., 2010, pp.206-214*

H.Low and C.Meghir, "The Use of Structural Models in Econometrics," JEP, Spring 2017, pp.33-35,39-40.

Background: Blundell-MaCurdy, HLE, pp.1563-1572*

Discussion Paper: V. Pohl, "Medicaid and the Labor Supply of Single Mothers: Implications for Health Care Reform," International Economic Review August, 2018.

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: J. Kimmel and R. Connelly, "Mother's Time Choices: Caregiving, Leisure, Home Production, and Paid Work." JHR, Summer 2007.

IV. Collective Models

P-A.Chiappori and M.Mazzocco, "Static and Intertemporal Household Decisions," JEL, September 2017 (static model only; pp.985-1005, except Rotten Kid Theorem and Transferable Utility); 1021-1025.

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:M.Doepke and F.Kindermann, "Bargaining over Babies: Theory, Evidence, and Policy Implications." AER, September 2019.

V. Intertemporal and Life-Cycle Labor Supply

C.Goldin and J.Mitchell, "The New Life Cycle of Women's Employment: Disappearing Humps, Sagging Middles, and Expanding

Tops," JEP, pp.161-165 only.

Blundell-MaCurdy, 1591-1607*

M.Keane, "Labor Supply and Taxes: A Survey," JEL, December 2011, selected sections: 3, 4.1, 4.6, 6.2.1, 6.2.4, 6.2.5, Table 6, first 2 pages of Section 7, 7.4.1, Table 7 (will not cover all material in these sections)

H.Low and C.Meghir, "The Use of Structural Models in Econometrics," JEP, Spring 2017, pp.35-39.

Discussion Paper: M.Keane and N.Wasi, "Labour Supply: The Roles of Human Capital and the Extensive Margin," EJ, May 2016.

VI. Labor Demand, Equilibrium, and Wage Structure

R.Freeman, "The Effect of Demographic Factors on the Age-Earnings Profile," JHR, Summer 1979, pp.289-291, 303-304, 309-313.

R.Freeman, "Overinvestment in College Training?" JHR, Summer 1975, pp. 287-289, 305-307.

L.Katz and K.Murphy, "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," QJE, February, 1992, pp.35-54.

D.Card and J.DiNardo, "Skill-Biased Technological Change and Rise Wage Inequality: Some Problems and Puzzles," J Labor Economics, October 2002, pp.735-737.

C.Goldin and L.Katz, The Race Between Technology and Education, 2007, pp.293-308.*

D.Lee and K.Wolpin, "Accounting for Wage and Employment Changes in the US from 1968-2000: A Dynamic Model of Market Equilibrium," J of Econometrics, 2010, pp.71-75.

D.Autor, F.Levy, and R.Murnane, "The Skill Content of Recent Technological Change: An Empirical Exploration," QJE, Nov 2003, pp.1279-1287.

D.Acemoglu and P.Restrepo, "Automation and New Tasks: How Technology Displaces and Reinstates Labor," JEP, Spring 2019, pp.3-12 only.

Discussion Paper: J.Song, D.Price, F.Guvenen, N.Bloom, T.VonWachter, "Firming Up Inequality," QJE, February 2019.

VII. Compensating Wage Differentials and Hedonics

T.Kniesner and J.Leeth, "Hedonic Wage Equilibrium: Theory, Evidence, and Policy," Foundations and Trends in Microeconomics, Vol. 5, No. 4, 2009, pp.229-241 only*

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

Discussion Paper: T.Kniesner, W.K. Viscusi, C.Woock, and J. Ziliak, "The Value of a Statistical Life: Evidence from Panel Data," REStat, February 2012

VIII. 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)

IX. Human Capital and Education

R.Ehrenberg and R.Smith, Chap 5,9 (selections)*

G.Becker, Human Capital, 1964 Appendix to Chap 3*

Y.Ben-Porath, "The Production of Human Capital and the Life Cycle of Earnings," JPE, 1967

J.Mincer, Schooling, Experience, and Earnings, 1974, Chaps 1,5*

J.Mincer and S.Polachek, "Family Investment in Human Capital: Earnings of Women," JPE. March-April 1974 Part 2, pp.S76-S94 only.

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

Eckstein-Wolpin, 1989 (see Keane 2011 above; read summary only)

Keane, 2011 (see life cycle lecture above): Section 6.3.0, pp.1025-1026.

R.Blundell, M.Costas-Dias, C.Meghir, and J.Shaw, "Female Labour Supply, Human Capital, and Welfare Reform," Econometrica, September 2016, pp.1723-1730 only.

Heckman-Lochner-Cossa, "Learning by Doing vs On the Job Training", 2002, pp.1-8.*

Discussion Paper: K.Athreya and J.Eberly, "Risk, the College Premium, and Aggregate Human Capital Investment," AEJ: Macro, April 2021.

X. Job Search

P.Cahuc, S.Carcillo, and A.Zylberberg, Labor Economics, 2nd Ed 2014, pp.253-269, 286-297.*