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Office hours: By appointment  
(Monday 12:00-2:00 preferred)

Johns Hopkins  
Fall, 2020

Economics 651  
Labor Economics  
Tuesday 5:00-7:30 (Baltimore time)

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 given below. Those readings with an asterisk will be available on the course Blackboard 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 Blackboard website at least four days in advance of the class where they will be presented.

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 Blackboard 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.

All lectures this semester will be via Zoom. A Zoom link will be provided. All lectures will be separated into 2 parts, with a

Break in between. All students must ask a question either at the end of the first part or the end of the second part, every class. The lecture portion of the class (but not the discussion periods) will be recorded and posted on Blackboard for your later viewing.

Blackboard will also be used for periodic announcements related to upcoming classes and meetings, and other topics, so log into Blackboard periodically to check for announcements.

The requirements for the course are (1) grades on problem sets spread throughout the semester, dates to be announced later (20%), (2) a long written report on a paper to be discussed in class (20%), (3) a series of short written critiques of those same papers (35%), and (4) a course paper (25%).

For (2) and (3), each topic in the course (except the last) has a Discussion Paper to be read at the end of the topic (see below). Each paper will be discussed in the class *after* the last class on that topic. Each student must write a "long" written report on one of the Discussion papers and a "short" written report on the rest of them. The long report is a 5-page double-spaced report containing both a summary and a comment-critique of the paper. A short report is a 2-page double-spaced report containing only a comment-critique (no summary). The student(s) preparing the long report will give a 10-minute oral presentation of the report, and a class discussion will follow. Both the long and short reports will be turned in before the class when the paper will be discussed. I will assign students to the papers after the first class (although you can also volunteer for them before then if you like).

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 November 3 and you are free to discuss your topic and work with me at any time. The report is due two weeks after the end of the Exam period (January 5).

9/2/20

Required Readings  
(Starred items are available on course Blackboard website)  
(The others are available online at MSE)

## 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\*

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

Discussion Paper: M.Bitler, J.Gelbach, and H.Hoynes, "What Mean Impacts Miss: Distributional Effects of Welfare Reform Experiments," AER, September, 2006

### 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: David Blau and Alison Hagy, "The Demand for Quality in Child Care," JPE, February, 1998

### 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: 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

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, 7.1, 7.4.1, Table 7 (will not cover all material in these sections)

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

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.

Discussion Paper: D.Acemoglu and P.Restrepo, "Automation and New Tasks: How Technology Displaces and Reinstates Labor," JEP, Spring 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\*

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

Eckstein-Wolpin, 1989 (cited in Keane 2011)

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

Blundell et al. (2016), Section 4.3

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

Discussion Paper: A.Delvande and B.Zafar, "University Choice: The Role of Expected Earnings, Nonpecuniary Outcomes, and Financial Constraints," JPE, October 2019.

### X. Job Search

P.Cahuc, S.Carcillo, and A.Zylbergerg, Labor Economics, 2<sup>nd</sup> Ed  
2014, pp.253-269, 286-297.