

ECON 650 Labor Economics I
Purdue University
Fall 2013

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RAWL 2077
Monday & Wednesday
8:00 - 9:30 AM

Course Description

This course is part of a field sequence in labor economics and covers labor demand, technological progress, immigration, labor supply, income taxation, fertility, policy evaluation, and several empirical methods used in applied labor research (and other applied microeconomics fields) including difference-in-differences estimation, instrumental variables, matching methods, regression discontinuity designs, and panel data methods. Students will learn how to read, evaluate, and conduct applied labor economics research. The emphasis is on econometric techniques, but this is not an econometrics course. Instead of deriving properties of estimators, we will focus on the practical application of applied micro techniques and in the process will provide an introduction to several other areas of labor research.

Course Requirements

This course does not follow any specific textbook, though it draws from Cahuc and Zylberberg (2004) *Labor Economics* and Wooldridge (2010) *Econometric Analysis of Cross Section and Panel Data*.

For each lecture, I will ask you to read one or more journal articles. Attendance is mandatory and all students are expected to read assigned articles before the class in which they will be discussed.

The grade for the course will be based upon the following factors:

- **Attendance (10%)** You lose one final grade point (out of 100) for every class missed after the first.
- **Class Participation (5%)** This class will not be as enjoyable (for me or you) if I do all the talking. Since economists believe incentives matter, class participation will be rewarded. The grade will obviously be subjective, but I'll try to be fair. It is the quality not the quantity that is most important.
- **Half-Page Summaries (10%)** For certain papers, students will be expected to complete a half-page summary of the article. I will describe the format for these summaries in class.
- **Homework Assignments (25%)** There will be five homework assignments. Each requires using Stata.
- **Final Exam (25%)** The exam is scheduled on Monday, December 9, 1:00 - 3:00 PM in RAWL 2077. It will cover material from lectures and the assigned readings.
- **Research Project (25%)** Students are expected to complete an empirical research project and write a description of the empirical methods, the data, and the results. The project must be empirical and must use techniques covered in this course. It can be a replication, an extension of an earlier project, or something new. However, if you choose to replicate a published paper, you are not to contact authors ask for their data. The project is due on Friday, December 6. The description of the project should be between 7 and 15 pages in length, double spaced.

Course Outline

The Selection Problem

- Angrist, Joshua D. and Alan B. Krueger (1999) "Empirical Strategies in labor Economics" *Handbook of Labor Economics*, Vol. 3, Edited by O. Ashenfelter and D. Card, Ch 23, 1277-1358.

Labor Demand

- Hamermesh, Daniel S. (1986) "Demand for Labor in the Long Run" in *Handbook of Labor Economics*, Volume 1, eds. Orley Ashenfelter and Richard Layard, New York: Elsevier Science Publishers.

Technological Progress and Inequality

- Katz, Lawrence F. and Kevin M. Murphy (1992). "Changes in Relative Wages, 1963-1987: Supply and Demand Factors" *Quarterly Journal of Economics*, February, 35-78.
- Card, David and Thomas Lemieux (2001) "Can Falling Supply Explain the Rising Return to College for Younger Men? A Cohort-Based Analysis" *Quarterly Journal of Economics*
- Lemieux, Thomas (2008) "The Changing Nature of Wage Inequality" *Journal of Population Economics*.
- Autor, David H., Frank Levy, and Richard Murnane (2002) The Skill Content of Recent Technological Change *Quarterly Journal of Economics* 118(4): 1279- 1333.
- Beaudry, Paul and David A. Green (2005) "Changes in U.S. Wages, 1976-2000: Ongoing Skill Bias or Major Technological Change?" *Journal of Labor Economics*, 23:3, 609-648.
- Card, David and John DiNardo (2003) Skill-Biased Technological Change and Rising Wage Inequality: Some Problems and Puzzles. *Journal of Labor Economics*, 20:4: 733-83.
- Goldin, Claudia and Lawrence F. Katz (2007) "Long-Run Changes in the Wage Structure: Narrowing, Widening, Polarizing" *Brookings Papers on Economic Activity*.

Labor Demand Elasticity Estimation

- Card, David (1990), "The Impact of the Mariel Boatlift on the Miami Labor Market ," *Industrial and Labor Relations Review* 43:2, pp. 245-257
- Card, David and Alan B. Krueger (1994) "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania" *American Economic Review*, 84:4, 772-793.
- Borjas, George J. (2003), "The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market," *Quarterly Journal of Economics* 118:4, 1335-1374
- Angrist, Joshua D. (1996), "Short-Run Demand for Palestinian Labor," *Journal of Labor Economics* 14:3, 425-453
- Bertrand, Duflo, and Mullainatha, "How Much Should We Trust Differences-in-Differences Estimates?" *Quarterly Journal of Economics* 119(1), 249-275

Matching Methods

- Angrist, Joshua D. (1998) "Estimating the Labor Market Impact of Voluntary Military Service Using Social Security Data on Military Applicants" *Econometrica*, Vol. 66, No. 2, 249-288.
- Black, Dan and Jeffery Smith (2004) "How robust is the evidence on the effects of college quality? Evidence from Matching" *Journal of Econometrics*, 121:99-124.
- LaLonde, Robert J. "Evaluating the Econometric Evaluations of Training Programs with Experimental Data" *American Economic Review*, Vol. 76(4), 604-620.

Labor Supply

- Pencavel, John (1986). "Labor Supply of Men: A Survey" in *Handbook of Labor Economics*, Volume 1, eds. Orley Ashenfelter and Richard Layard, New York: Elsevier Science Publishers.
- Blundell, R. and T. MaCurdy (1999) "Labor Supply: A Review of Alternative Approaches" in *Handbook of Labor Economics*, Vol. 3, Ch 27, edited by O. Ashenfelter and D. Card, North-Holland.
- Killingsworth, Mark R. and James J. Heckman (1986). "Female Labor Supply: A Survey" in *Handbook of Labor Economics*, Volume 1, eds. Orley Ashenfelter and Richard Layard, New York: Elsevier Science Publishers.
- MaCurdy, Thomas (1981) "An Empirical Model of Labor Supply in a Life-Cycle Setting" *Journal of Political Economy* 89:1059-1085.

Labor Supply Elasticity Estimation

- Wooldridge, Jeffrey M. (2010) "Econometric Analysis of Cross Sectional and Panel Data" Chapter 4.
- Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler (1997) "Labor Supply of New York City Cabdrivers: One Day at a Time" *Quarterly Journal of Economics*, pp. 407-441
- Ashenfelter, Orley, Bruce Schaller, and Kirk B. Dorian (2010) "A Shred of Credible Evidence on the Long Run Elasticity of Labor Supply" *Economica* 77:308, 637-650.
- Juhn, Chinhui and Kevin M. Murphy (1997). "Wage Inequality and Family Labor Supply" *Journal of Labor Economics* 15(1): 72-97.
- Juhn, Chinjui and Simon Potter (2006) "Changes in Labor Force Participation in the United States" *Journal of Economic Perspectives* 20 (3): 27 - 46.
- Heckman, J. (1993), What has been learned about labor supply in the past 20 years?, *American Economic Review*, 83-2

Instrumental variables

- Angrist, Joshua D. and William N. Evans (1998) "Children and Their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size" *American Economics Review*, Vol. 88, No. 3, 450-477.
- 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*, 90:443-450.

Taxation and Government Policy

- Black, Dan A., Jeffrey A. Smith, Mark C. Berger, and Brett J. Noel (2003) "Is the Threat of Reemployment Services more Effective Than the Services Themselves? Evidence from Random Assignment in the UI System" *American Economic Review*, Vol. 93(4), 1313-1327.
- Eissa, Nada and Hilary Hoynes (2004) "Taxes and the labor market participation of married couples: the earned income tax credit" *Journal of Public Economics* Vol. 88, 1931-1958.
- Blank, Rebecca. 2002. Evaluating Welfare Reform in the United States. *Journal of Economic Literature* 40(4):1105-1166.
- Moffitt, Robert. 2003. The Negative Income Tax and the Evolution of U.S. Welfare Policy, *Journal of Economic Perspectives* Summer 2003; 17(3): 119-40.
- Miller, Benjamin and Kevin J. Mumford (2013) "Personal Income Tax Salience: Evidence from the Child and Dependent Care Credit Expansion" mimeo.

Regression Discontinuity

- Angrist, Joshua and Victor Lavy (1999) "Using Maimonides' Rule to estimate the effect of class size on scholastic achievement" *Quarterly Journal of Economics*, 114:533-575.
- Imbens, Guido W. and Thomas Lemieux (2008) "Regression Discontinuity Designs: A Guide to Practice" *Journal of Econometrics* 142, 615-635.
- Turner, Lesley J. (2013) "The Incidence of Student Financial Aid: Evidence from the Pell Grant Program" mimeo.
- Meyer, Bruce D., and Laura R. Wherry (2012) "Using a Policy Discontinuity to Estimate the Effects of Medicaid Eligibility" mimeo.

Weighting and Correlated Errors

- Solon, Gary, Steven J. Haider, and Jeffrey M. Wooldridge (2013) "What are we Weighting for?" NBER Working Paper 18859.
- Wooldridge, Jeffrey M. (2006) "Cluster-Sample Methods in Applied Econometrics: An Extended Analysis" Mimeo.