

Syllabus

Advanced Labor Economics

- **Instructor:** Andrea Weber

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Office hours: by appointment, please send an email.

- **Credits:** 4 (8 ECTS)
- **Term:** Fall 2017-2018
- **Course level:** PhD
- **Prerequisites:** Microeconomics, Econometrics

Course description

The course is an introduction to labor economics, emphasizing applied microeconomic theory and empirical analysis. We are especially interested in the link between research and public policy. Topics to be covered include: labor supply and demand, taxes and transfers, minimum wages, immigration, human capital, education production, inequality, discrimination, labor unions, and unemployment.

Learning outcomes

- Students will be familiar with the classical theory of labor supply and labor demand and its predictions of the impacts of public policies,
- will understand how classical theory is extended to explain phenomena such as unemployment, inequality or discrimination,
- will be able to apply methods of modern micro-econometrics to test theoretical models of the labor market,
- will be able to interpret empirical results in the light of economic theory and understand potential shortcomings of empirical research,
- will be encouraged to develop independent research interests in labor economics.

Reading list

Textbook: Pierre Cahuc, Stéphane Carcillo, André Zylberberg “Labor Economics”, 2nd edition, 2014.

Additional Readings: topic specific reading list with mandatory and optional papers; see below.

Assessment

Readings for each week will be assigned one week in advance. Students are expected to read the material in advance and be prepared for class discussions.

Towards the end of the course, each student will give a longer presentation in class either about a planned research project or about papers that are related to the topics covered in the course.

Final grades are based on

- Problem sets: in total 20%
- Participation in class discussions: 10%
- Class presentation: 20%
- Final exam: 50%

Course schedule and reading materials for each session (the reading list is still preliminary and will be fixed at the beginning of the course)

1. Labor Supply
 - a) Static labor supply model
 - b) Tax and transfer programs
 - c) Lifecycle model
 - d) Household labor supply

Readings:

Cahuc, Carcillo, Zylberberg, chapter 1

- Handbook of Labor Economics chapters by Pencavel (volume 1) and Blundell and MaCurdy (volume 3a)
- Richard Blundell, Thomas MaCurdy and Costas Meghir. "Labor Supply Models: Unobserved Heterogeneity, Nonparticipation, and Dynamics" Handbook of Econometrics volume 6, 2007
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- Ashenfelter, Doran and Schaller (2010) uncompensated elasticity for taxi drivers
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- Imbens, Rubin and Sacerdote (2001) the income effect for lottery winners
-
- Cesarini, Lindqvist, Notodiwigdo, Östling (2015) The Effect of Wealth on Individual and Household Labor Supply: Evidence from Swedish Lotteries
-
- Emmanuel Saez (2010). "Do Taxpayers Bunch at Kink Points?" AEJ-Policy
-
- Thomas A. Mroz. "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions." *Econometrica*, 55 (4) (July, 1987), pp. 765-799.
-
- Arthur van Soest. "Structural Models of Family Labor Supply: A Discrete Choice Approach." *Journal of Human Resources* 30(1), Winter 1995.
-
- David Card. "Intertemporal Labor Supply: An Assessment". In Christopher Sims, editor, *Advances in Econometrics, Sixth World Congresss (volume 2)*. Cambridge University Press

2. Labor Demand and Demand Side Institutions and Policies
 - a) Labor Demand
 - b) Market Structure and the Minimum Wage
 - c) Immigration and Migration

Reading:

Cahuc, Carcillo, Zylberberg, chapter 2

Daniel McFadden "Duality of Production, Cost and Profit Functions" (available on course web site). A very comprehensive presentation of the basic results of production theory.

David Card and Thomas Lemieux. "Can Falling Supply Explain the Rising Returns to College for Young Men? A Cohort-Based Analysis." *QJE* 116 (2001): 705-746.

Gianmarco Ottaviano and Giovanni Peri "Rethinking the Effects of Immigration on Wages. *Journal of the European Economic Association* , 2011.

Peter Kuhn and Ian Wooten. "Immigration, International Trade, and the Wages of Native Workers. In John Abowd and Richard Freeman, editors. *Immigration Trade and Labor*, University of Chicago Press for NBER, 1991.

Lawrence Katz and Kevin Murphy. "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," *QJE* 107 (1992): 35-78.

Richard Anderson and John Moroney. "Substitution and Complementarity in CES Models". *Southern Economic Journal* 60 (April 1994): 886-895.

David Card. "Is the New Immigration Really So Bad?" *Economic Journal* 115 (2005): F300-F323.

David Card and Ethan Lewis. "The Diffusion of Mexican Immigrants During the 1990s: Explanations and Impacts." In G. Borjas (editor), *Mexican Immigration to the United States* , Univ. of Chicago Press 2007.

George Johnson and Frank Stafford. "The Labor Market Implications of International Trade". In Ashenfelter and Card, *Handbook of Labor Economics* volume 3. (available online).

3. Job Search and Unemployment

Reading:

Dale Mortensen (1977). "Unemployment Insurance and Job Search Decisions" *Industrial and Labor Relations Review* 30, pp. 505-517

Dale Mortensen and Christopher Pissarides (1999). "New Developments in Models of Search in the Labor Market." In Ashenfelter and Card (eds) *Handbook of Labor Economics*. Amsterdam: Elsevier, volume 3B.

Belot, Michele, Philipp Kircher and Paul Muller (2016) "Providing advice to job seekers at low cost: An experimental study on online advice", *IZA Discussion Paper* 10068.

Krueger, Alan B. and Andreas I. Mueller "A Contribution to the Empirics of Reservation Wages" *American Economic Journal: Economic Policy*, Vol. 8(1), February 2016, pp. 142-179.

Card, D., R. Chetty, and A. Weber (2007a). The spike at benefit exhaustion: Leaving the unemployment system or starting a new job? *American Economic Review* 97(2), 113–118.

Schmieder, Johannes F. and Till von Wachter (2016) "The Effects of Unemployment Insurance: New Evidence and Interpretation", *Annual Review of Economics*, Vol. 8: 547–581

Card, David, Raj Chetty, and Andrea Weber (2007b). "Cash-on-Hand and Competing Models of Intertemporal Behavior: New Evidence from the Labor Market." *Quarterly Journal of Economics*, 122(4), 1511-1560.

Johnston, Andrew C and Alexandre Mas (2016) "Potential Unemployment Insurance Duration and Labor Supply: The Individual and Market-Level Response to a Benefit Cut", NBER working paper #22411.

Card, David, David S. Lee, Zhuan Pei and Andrea Weber "Regression Kink Design: Theory and Practice", forthcoming, *Advances in Econometrics*, volume 38 (*Regression Discontinuity Designs: Theory and Applications*) edited by Matias D. Cattaneo and Juan Carlos Escanciano. Working paper version: [NBER Working Paper #22781](#).

Card, David, Andrew Johnston, Pauline Leung, Alexandre Mas, and Zhuan Pei, (2015) "The Effect of Unemployment Benefits on the Duration of Unemployment Insurance Receipt: New Evidence from a Regression Kink Design in Missouri, 2003-2013," *American Economic Review: Papers and Proceedings*, 105 (5), 126–130. Working paper version: [NBER Working Paper #20869](#).

Landais, C. (2015) "Assessing the Welfare Effects of Unemployment Benefits Using the Regression Kink Design", *American Economic Journal: Economic Policy* 7(4): 243-278.

Nekoei, Arash and Andrea Weber (2017) Does Extending Unemployment Benefits Improve Job Quality? forthcoming *American Economic Review*, 107(2), 527-561.

Schmieder, J. F., T. von Wachter, and S. Bender (2016). „The effect of unemployment benefits and nonemployment durations on wages.” *American Economic Review* 106(3), 739–77. 2, 6, 17, 20, 23

4. Discrimination and differences by gender and race in the labor market

Reading:

Joseph Altonji and Rebecca Blank. "Race and Gender in the Labor Market." In O. Ashenfelter and D. Card, *Handbook of Labor Economics* volume 3. Elsevier, 1999.

Kerwin Charles and Jonathan Guryan. "Studying Discrimination: Fundamental Challenges and Recent Progress." *Annual Review of Economics* 3 (2011): 479-511.

Roland Fryer. "Racial Inequality in the 21st Century: The Declining Significance of Discrimination." In O. Ashenfelter and D. Card, *Handbook of Labor Economics* volume 4B. Elsevier, 2011.

Lang, Kevin and Jee-Yeon Lehmann. "Racial Discrimination in the Labor Market: Theory and Empirics." *Journal of Economics Literature* 50 (2012): 959-1006.

Coate, Stephen and Glenn Loury. "Will Affirmative Action Policies Eliminate Negative Stereotypes?" *American Economic Review* 82 (1993): 1220-1240.

Marianne Bertrand and Sendhil Mullainathan. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review* 94 (2004): 991-1013

Anwar, Shamena, Patrick Bayer and Randi Hjalmarsen. "The Impact of Jury Race in Criminal Trials." *Quarterly Journal of Economics* (2014): 1-39.

Besley, Timothy, Olle Folke, Torsten Persson, and Johanna Rickne "Gender Quotas and the Crisis of the Mediocre Man: Theory and Evidence from Sweden", *American Economic Review* 2017, 107(8): 2204–2242

Charles, K. K., & Guryan, J. 2008. Prejudice and wages: an empirical assessment of Becker's The Economics of Discrimination. *Journal of Political Economy* 116(5): 773-809

Black, Dan. 1995. Discrimination in an equilibrium search model. *Journal of Labor Economics* 13, no. 2:309–33.

5. Wage Determination Models with Firm Effects

Reading:

Abowd, J. M., Kramarz, F., & Margolis, D. N. 1999. High wage workers and high wage firms. *Econometrica* 67(2): 251-333.

Burdett, K., & Mortensen, D. T. 1998. Wage differentials, employer size, and unemployment. *International Economic Review* 39(2): 257-273

Card, D., Cardoso, A. R., Heining, J. & Kline, P. 2017 “Firms and Labor Market Inequality: Evidence and some Theory”, *JOLE*

Card, D., Heining, J., & Kline, P. 2013. Workplace heterogeneity and the rise of West German wage inequality. *Quarterly Journal of Economics* 128(3): 967-1015.

Card, D., Cardoso, A. R., & Kline, P. 2016. Bargaining, sorting, and the gender wage gap: Quantifying the impact of firms on the relative pay of women. *Quarterly Journal of Economics*.

Card, D., Devicienti, F., & Maida, A. 2014. Rent-sharing, holdup, and wages: Evidence from matched panel data. *Review of Economic Studies* 81(1): 84-111.

Card, D., Heining, J., & Kline, P. 2012. Workplace heterogeneity and the rise of West German wage inequality. Working Paper no. 18522, National Bureau of Economic Research.