

EmTopics in Advanced Labor Economics – 9230

Daniel Kreisman – Office hours Wed 2-4 or by appointment.
Class: Thursdays - 1:00-3:30; Kell Hall 101

I. Course Description and Objectives -

Labor has become a largely empirical field in economics. But, these papers are grounded in a long tradition of theory. Accordingly, Econ 9230 will provide an overview of modern labor economics with a focus on both theory and empirical methods. The course has three main objectives. The first is to provide an understanding of the foundations of modern labor research. The second is to develop a comprehensive toolkit for the evaluation of key economic and policy questions, which will be useful for research in all areas of applied micro. The third is to become familiar with the most recent developments and topics in labor economics.

I hope each week will go as follows: (1) discuss foundational papers to gain intuition and understanding of the mechanics at work; (2) go over some applications of the foundational paper(s) – i.e. empirical work testing the theory or discuss a related paper that is something a PhD student might undertake; (3) a student presents on a new labor paper.

II. Textbook and Readings -

Nearly all lectures will be based on journal articles. I have assigned the following textbook to be used as reference. The edition doesn't matter.

- Cahuc, Pierre and Andre Zylberberg. 200X. Labor Economics.

I also suggest you know the following very well. I will treat them like a textbook.

- Heckman, James, Robert LaLonde, and Jeff Smith, "The Economics and Econometrics of Active Labor Market Programs," Handbook of Labor Economics, Vol. 3A, O. Ashenfelter and D. Card, eds. Amsterdam: North Holland, 1999, pp. 1865-2097.
- Card, David. 1999. "The Causal Effect of Education on Earnings," in Handbook of Labor Economics, Vol. 3
- Card, David. "Earnings, Schooling, and Ability Revisited" Research in Labor Economics 14 (1995), pp. 23-48

A note on articles:

- Articles in **BOLD** will be discussed in class and are game for exams. Please be prepared to discuss these. I will call on students to see if you've been reading.
- Articles in *ITALICS* may or may not be discussed in class but are game for exams as well.
- The remaining articles are useful and would be nice to cite in exams. If I discuss one in class, its fair game.
- I will not post readings, it should be easy enough for you to find them online.

III. Grading –

Your grade will be composed of the following elements:

- **30% Problem sets (3)**
Problem sets will often include both traditional econ questions (e.g. solving an equilibrium condition, etc.) and computation work (i.e. with Stata). Groups of 2 are allowed. You may work with other students outside of your group, but all groups should not have the same answers.
- **30% In class presentation and referee report (15% each)**
Each week one student will present a labor paper that is in working paper form. You may not choose a published piece. There are a few places to look for examples, such as: NBER, IZA, the SOLE or AEA meetings, or on economists websites. I will also post some that I think would work well. I will ask you to approve your choice with me, but will give you a lot of leeway. Finding 2 or 3 papers to let me choose from is a good idea too. Please share good ideas with other students according to their interests.
In class presentation. You will be given 30 minutes to present. I want to you cover, 1) what question is the author asking? 2) what is the identification strategy? 3) what are the findings? If you present well, the class should feel like we've read the paper.

Referee report. You will also hand in a referee report of the article as if you've been asked to do so by a journal. I will provide you with an example of a referee report or two to use as a guide. The key here is giving good suggestions to the reader and editor briefly. Due the day you present.
- **40% Final exam**
This will be preparation for your qualifying exam. I expect that one-third of the exam will be setting up and/or solving a model; one-third will be empirical questions; and one-third will be of the format, "what does the literature have to say about _____?" Where I will expect you to discuss key papers, their methods and findings.

Additional Information:

All students are responsible for knowing GSU's Policy on Academic Honesty as published in On Campus: The Undergraduate Co-Curricular Affairs Handbook. If you require special accommodations for exams, you must provide documentation from GSU Disability Services and make arrangements with me prior to the exam dates.

Note: The course syllabus provides a general plan for the course; deviations may be necessary.

READINGS

I. HUMAN CAPITAL

1. Human capital models and empirical returns to schooling

a. Models

- **Ben-Porath, Yoram.** "The Production of Human Capital Over the Life Cycle." *Journal of Political Economy* 75, no. 4, part 1 (August 1967): 352-365.
- **Roy, A.** "Some Thoughts on the Distribution of Earnings." *Oxford Economic Papers* (1951): 235-46.
- **Griliches, Z.** "Estimating the Returns to Schooling: Some Econometric Problems." *Econometrica* 45, no. 1 (January 1977): 1-22.
- **Willis, R.J. and S. Rosen.** 1979. "Education and Self-Selection," *Journal of Political Economy*, 87, (Supplement, October) pp. S7-S36.
- [my notes in part will come from] Polachek, S. (2007) Earnings Over the Lifecycle: The Mincer Earnings Function and Its Applications. IZA paper 3181.
- LE – Chapter 2 as reference.
- Mincer, J. *Schooling, Experience, and Earnings*. New York: NBER, 1974.
- Willis, R. J. "Wage Determinants." Chapter 10 in *The Handbook of Labor Economics*. Vol. 1.
- Rosen, S. (1977), "Human Capital: A Survey of Empirical Research." In *Research in Labor Economics*, ed., by R. G. Ehrenberg, Vol. 1, 3-40.

b. Returns

- **Ashenfelter and Krueger.** "Estimates of the Economic Return to Schooling from a New Sample of Twins." *AER* 1994.
- **Angrist, J. and A. Krueger.** 1991. "Does Compulsory School Attendance Affect Schooling and Earnings?," *Quarterly Journal of Economics*, 106 (November 1991). pp. 979-1014.
- **Card, D.** 1990. "The Impact of the Mariel Boatlift on the Miami Labor Market," *Industrial and Labor Relations Review*, Vol. 43, No. 2, pp. 245-257.
- *Murphy, K. M., & Welch, F. (1990). Empirical age-earnings profiles. Journal of Labor economics, 202-229.*
- **Katz, Lawrence and Kevin Murphy.** 1992. "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," *Quarterly Journal of Economics*, 107. 1. February 1992. pp. 35-78.
- **Card, David.** "Earnings, Schooling, and Ability Revisited" *Research in Labor Economics* 14 (1995), pp. 23-48
- **A. Leigh and C. Ryan.** (2008) "Estimating Returns to Education Using Different Natural Experiment Techniques," *Economics of Education Review* 27, 149-60.

2. Search, Signaling and job match

- Jovanovic, Boyan (1979). "Job Matching and the Theory of Turnover," *Journal of Political Economy*, 1979, 972-990.
- Spence, Michael, "Job Market Signaling," *Quarterly Journal of Economics*, 87(3), August 1973, 355-374.
- Altonji, Joseph and Charles Pierret. "Employer Learning and Statistical Discrimination," *Quarterly Journal of Economics*, February 2001. (see NBER working paper).
- Oettinger, G. S. (1996). Statistical discrimination and the early career evolution of the black-white wage gap. *Journal of Labor Economics*, 52-78.
- Lang, K., & Kropp, D. (1986). Human capital versus sorting: the effects of compulsory attendance laws. *The Quarterly Journal of Economics*, 609-624.
- *Kreisman, D., & Rangel, M. A. (2015). On the blurring of the color line: Wages and employment for Black males of different skin tones. Review of Economics and Statistics, 97(1), 1-13.*
- Tyler, John, Richard J. Murnane and John Willett, "Estimating the Labor Market Signaling Value of the GED," *Quarterly Journal of Economics*, 115(2), May 2002, 431-468.
- Weiss, Andrew, "Human Capital and Sorting Models," *Journal of Economic Perspectives*, 9(4), Autumn 1995, 133-154.
- Rogerson, R. R. Shimer, and R. Wright. 2004. "Search-Theoretic Models of the Labor Market: A Survey," NBER Working Paper 10655.
- Gibbons, Robert and Lawrence F. Katz. 1991. "Layoffs and Lemons," *Journal of Labor Economics*, 9, No. 4, pp. 351-380.
- Farber, H.S. and R. Gibbons. 1996. "Learning and Wage Dynamics," *Quarterly Journal of Economics*, 111, 1007-47.
- Mortensen, D. T., & Pissarides, C. A. (1999). New developments in models of search in the labor market. *Handbook of labor economics*, 3, 2567-2627.

II. EMPIRICS

3.a Diff-in-Diff(-in-Diff)

- Aaronson, D., & Mazumder, B. (2011). The Impact of Rosenwald Schools on Black Achievement. *Journal of Political Economy*, 119(5), 821-888.
- Kreisman, D. (2015). The Next Needed Thing: The impact of the Jeanes Fund on Black schooling in the South, 1900-1930.
- Bertrand, Marianne, Esther Duflo and Sendhil Mullainathan. 2004. "How Much Should We Trust Differences-in-Differences Estimates?" *Quarterly Journal of Economics* 119(1): 249-275.

- *Abadie, Alberto, Alexis Diamond and Jens Hainmueller. "Synthetic Control Methods for Comparative Case Studies: Estimating the Effect of California's Tobacco Control Program." Journal of the American Statistical Association, 105(490): 493-505.*
- Gruber, Jonathan. 1994. "The Incidence of Mandated Maternity Benefits," *American Economic Review*, Vol. 84, 3. pp. 622-641.
- Garces, Eliana and Duncan Thomas and Janet Currie. 2002. "Longer-Term Effects of Head Start" *American Economic Review*, Vol. 92, 4.

3.b Fixed Effects & Ashenfelter's Dip

- **Ashenfelter, Orley C. 1978. "Estimating the Effect of Training Programs on Earnings," *The Review of Economics and Statistics*, Vol. 60(1), pp. 47-57.**
- **Jacobson, L. S., LaLonde, R. J., & Sullivan, D. G. (1993). Earnings losses of displaced workers. *The American Economic Review*, 685-709.**
- **Jacobson, L., LaLonde, R., & Sullivan, D. G. (2005). Estimating the returns to community college schooling for displaced workers. *Journal of Econometrics*, 125(1), 271-304.**
- Altonji, Joseph and Thomas Dunn, (1996), "The Effects of Family Characteristics on the Return to Education", *Review of Economics and Statistics*, (November).
- Light, Audrey. 1995. "The Effects of Interrupted Schooling on Wages," *Journal of Human Resources* Vol. 30, No. 3, pp. 472-502

4.a IV

- **Angrist, Joshua. 1990. "Lifetime Earnings and the Vietnam Era Draft Lottery: Evidence from Social Security Administrative Records," *American Economic Review*, Vol. 80, No. 3, pp. 313-336.**
- **Card, David 1993. "Using Geographic Variation in College Proximity to Estimate the Return to Schooling," NBER Working Paper 4483. Published in 1995 in *Aspects of Labour Market Behaviour: Essays in Honour of John Vanderkamp*, Toronto: University of Toronto Press, 1995.**
- **Card, D. and Krueger, A. (1996). School resources and student outcomes: an overview of the literature and new evidence from north and South Carolina. *The Journal of Economic Perspectives*, 10(4):31-50.**
- **Currie, Janet and E. Moretti. 2003. "Mother's Education and the Intergenerational Transmission of Human Capital: Evidence from College Openings and Longitudinal Data", *Review of Economics & Statistics*. Vol. 118, No. 4, pp. 1495-1532.**
- *Bound, John, David Jaeger, and Regina Baker. "Problems with Instrumental Variables Estimation When the Correlation Between the Instruments and the Endogenous Explanatory Variables is Weak," *Journal of the American Statistical Association* 90 (June 1995), pp. 443-450.*

- Kling, Jeffrey R. "Interpreting Instrumental Variables Estimates of the Return to Schooling," *Journal of Business and Economic Statistics*, 2001
- Angrist, J., and W. Evans (1998), "Children and Their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size," *American Economic Review*, June; reprinted in *Recent Developments in Labor Economics*, J. Addison, ed., 2006.
- Angrist, J., & Krueger, A. B. (2001). Instrumental variables and the search for identification: From supply and demand to natural experiments (No. w8456). National Bureau of Economic Research.

4.b RD

- **Kreisman, D., & Steinberg, M. (2013). The Effect of Increased Funding on Budget Allocations and Student Outcomes: RD and IV Estimates from Texas's small district adjustment. Unpublished manuscript.**
- **Schanzenbach, D. W. (2009). Do school lunches contribute to childhood obesity? *Journal of Human Resources*, 44(3), 684-709.**
- *Imbens, Guido and Thomas Lemieux. 2008. "Regression Discontinuity Designs: A Guide to Practice," *Journal of Econometrics*, Volume 142, Issue 2, pp. 615-635.*
- Card, David and Carlos Dobkin and Nicole Maestas. 2009. "Does Medicare Save Lives?", *Quarterly Journal of Economics*, Vol. 124, 2, pp. 597-636.

5.a Measurement error

- **Ashenfelter, O. and A. Krueger. 1994. "Estimates of the Economic Return to Schooling Using a New Sample of Twins." *American Economic Review*. 84. 1994. pp. 1157-1173**
- **Bound, J., & Krueger, A. B. (1991). The Extent of Measurement Error in Longitudinal Earnings Data: Do Two Wrongs Make a Right? *Journal of Labor Economics*, 9(1), 1-24.**
- **Hirsch, Barry T. and Edward J. Schumacher. 2004. "Match Bias in Wage Gap Estimates due to Earnings Imputation.' *Journal of Labor Economics*, 22(3), pp. 689 - 722**

5.b Matched Firm-Worker data

- **Carrington, William and Kenneth Troske. "Interfirm Segregation and the Black/White Wage Gap," *Journal of Labor Economics*, April 1998.**
- Bayard, Kimberly and Judith Hellerstein and David Neumark and Kenneth Troske. 2003. "New Evidence on Sex Segregation and Sex Differences in Wages from Matched Employee-Employer Data," *Journal of Labor Economics*, 21, 887-922.
- Abowd, J. M., & Kramarz, F. (1999). The analysis of labor markets using matched employer-employee data. *Handbook of labor economics*, 3, 2629-2710.

6. Really good empirical work, NEC

- **Flavio Cunha paper on uncertainty in hours worked (I will find this).**

- C. Goldin and L. Katz (2002), "The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions," *Journal of Political Economy* 110 (August), 730-70.
- Bailey, M. J. (2006). More power to the pill: the impact of contraceptive freedom on women's life cycle labor supply. *The Quarterly Journal of Economics*, 289-320.

III. TOPICS

7. Minimum wage, EITC

- Card, David and Alan B. Krueger. "A Reanalysis of the Effect of the New Jersey Minimum Wage Increase on the Fast-Food Industry with Representative Payroll Data." *American Economic Review*, 2000.
- Dube, A., Lester, T. W., & Reich, M. (2010). Minimum wage effects across state borders: Estimates using contiguous counties. *The review of economics and statistics*, 92(4), 945-964.
- Neumark, D., & Wascher, W. (1992). Employment effects of minimum and subminimum wages: panel data on state minimum wage laws. *Industrial & Labor Relations Review*, 46(1), 55-81.
- Rothstein, J. (2010). Is the EITC as good as an NIT? Conditional cash transfers and tax incidence. *American Economic Journal: Economic Policy*, 177-208.

8. Discrimination.

- Neal, Derek and William R. Johnson. "The Role of Premarket Factors in Black-White Wage Differences," *Journal of Political Economy*, October 1996.
- 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.
- Emily, Are, and Greg More Employable Than Lakisha. "Jamal? A field experiment on labor market discrimination." *The American Economic Review* 94, no. 4 (2004): 991-1013.
- Fryer, Roland and Steven Levitt. 2004. "Understanding the Black-White Test Score Gap in the First Two Years of School," *Review of Economics and Statistics*, May 2004. 86. 2. pp. 447-64
- Grogger, J. (2011). Speech patterns and racial wage inequality. *Journal of Human Resources*, 46(1), 1-25.
- J. McCrary (2002), "The Effect of Court-Ordered Hiring Quotas on the Composition and Quality of Police," UC Berkeley, Nov; <http://socrates.berkeley.edu/~jmccrary/>
- Cain, G. and D. Aigner, "Statistical Theories of Discrimination," *Industrial and Labor Relations Review*, January 1977.

9. Schooling 1

- Angrist, Josh and Victor Lavy, "Using Maimonides' Rule to Estimate the Effect of Class Size on Scholastic Achievement," *Quarterly Journal of Economics*, May 1999.
- Krueger, A. B., & Whitmore, D. M. (2001). The effect of attending a small class in the early grades on college-test taking and middle school test results: Evidence from Project STAR. *The Economic Journal*, 111(468), 1-28. Sheepskin & Credits
- Kane, T. J., & Rouse, C. E. (1995). Labor-market returns to two-and four-year college. *The American Economic Review*, 600-614.
- Chetty, R., & Hendren, N. (2015). The Impacts of Neighborhoods on Intergenerational Mobility: Childhood Exposure Effects and County-Level Estimates. Working Paper, May 2015, http://www.equality-of-opportunity.org/images/nbhds_paper.pdf (accessed May 5, 2015). 6. Neighborhoods in which the author has lived. They are in Rochester, NY, Boston, and Washington, DC, respectively.
- Fryer Jr, R. G. (2010). *Financial incentives and student achievement: Evidence from randomized trials* (No. w15898). National Bureau of Economic Research.

10. Schooling 2

- Altonji, J. G. (1992). The effects of high school curriculum on education and labor market outcomes (No. w4142). National Bureau of Economic Research.
- Kreisman, D & Stange, K. "Vocational and Career Tech Education in American High Schools: Curriculum Choice and Labor Market Outcomes." Working paper.
- Altonji, J. G., Arcidiacono, P., & Maurel, A. (2015). The analysis of field choice in college and graduate school: Determinants and wage effects (No. w21655). National Bureau of Economic Research.
- Altonji, J. G. (1991). *The demand for and return to education when education outcomes are uncertain* (No. w3714). National Bureau of Economic Research.
- Malamud, O., & Pop-Eleches, C. (2008). General education vs. vocational training: evidence from an economy in transition (No. w14155). National Bureau of Economic Research.
- Andrews, R. J., Li, J., & Lovenheim, M. F. (2012). Quantile treatment effects of college quality on earnings: Evidence from administrative data in Texas (No. w18068). National Bureau of Economic Research.

IV. TIME PERMITTING

Technology of Skill formation

- Cunha, F. and J. Heckman (2007b), "The Technology of Skill Formation," *American Economic Review*, 97(2): 31-47.
- Heckman. "A Life-Cycle Model of Earnings, Learning and Consumption." *JPE* 1976.
- Cunha, F. and J. Heckman (2008), "Formulating, Identifying and Estimating the Technology of Cognitive and Noncognitive Skill Formation," *Journal of Human Resources*, 43(4): 738- 782.

General vs. Specific Human Capital

- Jovanovic, Boyan (1979). "Firm Specific Capital and Turnover," *Journal of Political Economy*, 1979, 1246-1260.
- Neal, Derek (1995). "Industry-Specific Human Capital: Evidence From Displaced Workers," *Journal of Labor Economics*, October, 1995, vol. 13, pp. 653-77.

Wage structure, supply and demand –

- DiNardo, Fortin, and Lemieux, "Labor Market Institutions and the Distribution of Wages, 1973-1993: A Semi-Parametric Approach," *Econometrica*, 1996, 64(5).
- Blau, Francine and Lawrence M. Kahn. 2006. "The U.S. Gender Pay Gap in the 1990s: Slowing Convergence," *Industrial and Labor Relations Review*, Vol. 60, No. 1, pp. 45-66
- Krueger, Alan. "How Computers Have Changed the Wage Structure: Evidence from Microdata 1984-1989." *Quarterly Journal of Economics*, 108. 1993. pp. 33-60.
- 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*, Vol. 116, No. 2, pp. 705-46.
- Juhn, Chinhui, Kevin Murphy, and Brooks Pierce, "Wage Inequality and the Rise in Returns to Skill." *Journal of Political Economy*, v101, n3 (June 1993): 410-442.
- DiNardo, John and Jorn-Steffen Pischke. "The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?" *Quarterly Journal of Economics* 112. 1997. pp. 291-303.