Hitotsubashi University
Department of Economics
Advanced Labor Economics I
Fall 2017

Course Description

The main objective of this course is to provide students with advanced economic/econometric tools needed to evaluate and design various government policies that may affect labor market outcomes. As the first section of the advanced labor economics sequence, this course introduces various empirical strategies in labor economics, including program evaluation approaches, nonparametric/semiparametric estimation methods, as well as identification and estimation of commonly used models of the labor market. Throughout this course, we will examine the strengths and weaknesses of alternative approaches in labor economics and how we can apply them in academic research and policy studies.

Assessment

The course grade will be based on in-class contributions and a research proposal. The distribution of the marks is as follows:

Assessment	Weight
In-class contributions	20%
Research presentations	30%
Research proposal	50%

A successful research proposal contains everything for a research paper but findings. It should have at least 10 pages (double-spaced, excluding references) and should include the following:

- a clear statement of your research question;

- brief motivation for the research question: Why is your question important? Why should the reader of your research proposal care your question? What is the policy relevance?

- review of the relevant literature

- description of proposed empirical strategy and data sources

- clear discussion of your potential contribution to the prior literature

- clear discussion of what challenges you expect to encounter.

Schedule

Please note that the following is a tentative schedule for the course. All changes in schedule will be announced in class in advance. Students are responsible for learning about these changes.

Lecture (Date)	Topic	References
01 (09/21)	Introduction	
02 (09/25)	Review of econometric toolkit	BD09
03 (09/28)	Marginal policy evaluation: methods	CHV11
04 (10/02)	Marginal policy evaluation: applications	BMW17, YAK17
05 (10/05)	Roy models and selection bias	FT11
06 (10/09)	Dynamic discrete choice models	A10, AE11, KW11
07 (10/12)	Income inequality	AA11
08 (10/16)	Skill formation during childhood	CHLM06, CHS10, CLP16
09 (10/19)	Skill formation in the labor market	K06, BR12, Y12, BMR16
10 (10/23)	Family policies	Y16
11 (10/26)	Social insurance and sufficient statistics approaches	C095
12 (10/30)	Presentations 1	
13 (11/02)	Presentations 2	
14 (11/06)	Presentations 3	

References

1. Canonical Models of Skill Premium

- ** Acemoglu and Autor (2011) HoLE. Skills, Tasks and Technologies: Implications for Employment and Earnings. [AA11]

- ** Kawaguchi and Mori (2016) EER. Why has Wage Inequality Evolved so Differently between Japan and the US? The Role of the Supply of College-Educated Workers. [KM16]

- Katz and Murphy (1992) QJE. Changes in Relative Wages, 1963-1987: Supply and Demand Factors

- Card and Lemiux (2001) QJE. Can Falling Supply Explain the Rising Return to College for Younger Men? A Cohort-Based Analysis

- Carneiro and Lee (2011) AER. Trends in Quality-Adjusted Skill Premia in the United States, 1960-2000

- Hendricks and Schoellman (2014) JME. Student Abilities During the Expansion of US Education

- Beaudry et al. (2016) JoLE. The Great Reversal in the Demand for Skill and Cognitive Tasks

2. Econometric Toolkit

- ** Blundtoolell and Duncan (1998) JHR. Kernel Regression in Empirical Microeconomics. [BD98]

- ** Blundell and Dias (2009) JHR. Alternative Approaches to Evaluation in Empirical Microeconomics. [BD09]

- ** Heckman (2010) JEL. Building Bridges Between Structural and Program Evaluation Approaches to Evaluating Policy

- ** Matzkin (2013) ARE. Nonparametric Identification in Structural Economic Models

- Imbens and Angrist (1994) EMA. Identification and Estimation of Local Average Treatment Effects

- Heckman (1997) JHR. Instrumental Variables: A Study of Implicit Behavioral Assumptions Used in Making Program Evaluations

- Heckman (1999) JHR. Instrumental Variables: Response to Angrist and Imbens

- Heckman (2000) QJE. Causal Parameters and Policy Analysis in Economics: A Twentieth Century Retrospective

- Vytlacil (2002) EMA. Independence, Monotonicity, and Latent Index Models: An Equivalence Result

- Horowitz (2009) Springer. Semiparametric and Nonparametric Methods in Econometrics

- Lee and Lemiux (2010) JEL. Regression Discontinuity Designs in Economics

- Hansen (2017). Econometrics

3. Roy Models and Marginal Policy Evaluation Methods

** French and Taber (2011) HoLE. Identification of Models of the Labor Market. [FT11]

** Cunha et al. (2005) OEP. Separating Uncertainty from Heterogeneity in Life Cycle Earnings. [CHN05]

** Carneiro et al. (2011) AER. Estimating Marginal Returns to Education. [CHV11]

** Eisenhauer et al. (2015) JPE. The Generalized Roy Model and the Cost-Benefit Analysis of Social Programs. [EHV15]

** Carneiro et al. (2016) JAE. Average and Marginal Returns to Upper Secondary Schooling in Indonesia. [CLU16]

** Brinch et al. (2017) JPE. Beyond LATE with a Discrete Instrument: Heterogeneity in the Quantity-Quality Interaction of Children [BMW17]

** Yamaguchi et al. (2017). How Does Early Childcare Enrollment Affect Children, Parents, and Their Interactions? [YAK17]

- Heckman (1979) EMA. Sample Selection Bias as a Specification Error

- Heckman and Honore (1990) EMA. The Empirical Content of the Roy Model

- Dahl (2002) EMA. Mobility and the Return to Education: Testing a Roy Model with Multiple Markets

- Heckman et al. (2006) HoEE. Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond

- Heckman et al. (2008) JHC. Earnings Functions and Rates of Return

- Mulligan and Rubinstein (2008) QJE. Selection, Investment, and Women's Relative Wages over Time

- Carneiro et al. (2010) EMA. Evaluating Marginal Policy Changes and the Average Effect of Treatment for Individuals at the Margin

- Meghir and Rivkin (2011) HoEE. Econometric Methods for Research in Education

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- Cunha and Heckman (2016) JoLE. Decomposing Trends in Inequality in Earnings into Forecastable and Uncertain Components

- Onozuka (2016) JJIE. The Gender Wage Gap and Sample Selection in Japan

4. Dynamic Discrete Choice Models

** Abbring (2010) ARE. Identification of Dynamic Discrete Choice Models

** Arcidiacono and Ellickson (2011) ARE. Practical Methods for Estimation of Dynamic Discrete Choice Models

** Kennan and Walker (2011) EMA. The Effect of Expected Income on Individual Migration Decisions

– Magnac and Thesmar (2002) EMA. Identifying Dynamic Discrete Decision Processes

– Arcidiacono and Miller (2011) EMA. Conditional Choice Probability Estimation of Dynamic Discrete Choice Models With Unobserved Heterogeneity

- Wolpin (1984) JPE. An Estimable Dynamic Stochastic Model of Fertility and Child Mortality

- Rust (1987) EMA. Optimal Replacement of GMC Bus Engines: An Empirical Model of Harold Zurcher

- Keane and Wolpin (1997) JPE. The Career Decisions of Young Men

- Lessem (2015) Mexico-U.S. Immigration: Effects of Wages and Border Enforcement

- Hotz and Miller (1993) ReStud. Conditional Choice Probabilities and the Estimation of Dynamic Models

- Agruirregabiria and Mira (2002) EMA. Swapping the Nested Fixed Point Algorithm: A Class of Estimators for Discrete Markov Decision Models

- Kasahara and Shimotsu (2009) EMA. Nonparametric Identification of Finite Mixture Models of Dynamic Discrete Choices

- Aguirregabiria and Mira (2010) JoE. Dynamic Discrete Choice Structural Models: A Survey

- Kasahara and Shimotsu (2011). Sequential Estimation of Dynamic Programming Models with Unobserved Heterogeneity

- Eckstein and Lifshitz (2011) EMA. Dynamic Female Labor Supply

5. Lifecycle Skill Formation

** Cunha et al. (2006) HoEE. Interpreting the Evidence on Life Cycle Skill Formation. [CHLM06]

** Kuruscu (2006) AER. Training and Lifetime Income. [K06]

** Cunha et al. (2010) EMA. Estimating the Technology of Cognitive and Noncognitive Skill Formation. [CHS10]

** Lochner and Monge-Naranjo (2012) ARE. Credit Constraints in Education. [LM12]

** Bowlus and Robinson (2012) AER. Human Capital Prices, Productivity, and Growth. [BR12]

** Yamaguchi (2012) JoLE. Tasks and Heterogeneous Human Capital. [Y12]

** Caucutt et al. (2016) SJE. Correlation, Consumption, Confusion, or Constraints: Why Do Poor Children Perform so Poorly? [CLP16]

** Bowlus et al. (2016) JoEA. Ageing and the Skill Portfolio: Evidence from Job Based Skill Measures. [BMR16]

- Ben-Porath (1967) JPE. The Production of Human Capital and the Life Cycle of Earnings

- Heckman et al. (2006) JoLE. The Effects of Cognitive and Noncognitive Abilities on Labor Market Outcomes and Social Behavior

- Rubinstein and Weiss (2006) HoEE. Post Schooling Wage Growth: Investment, Search and Learning

- Belly and Lochner (2007) JHC. The Changing Role of Family Income and Ability in Determining Educational Achievement

- Heckman et al. (2010) JPubE. The Rate of Return to the HighScope Perry Preschool Program

- Currie and Almond (2010) HoLE. Human Capital Development before Age Five

- Oster et al. (2012) AER. Limited Life Expectancy, Human Capital and Health Investments

- Dahl and Lochner (2012) AER. The Impact of Family Income on Child Achievement: Evidence from the Earned Income Tax Credit

- Heckman et al. (2013) AER. Understanding the Mechanisms Through Which an Influential Early Childhood Program Boosted Adult Outcomes

- Del Boca et al. (2014) ReStud. Household Choices and Child Development

- Altonji et al. (2016) HoEE. The Analysis of Field Choice in College and Graduate School: Determinants and Wage Effects

- Lochner and Monge-Naranjo (2016) HoEE. Student Loans and Repayment: Theory, Evidence, and Policy

- Garcia et al. (2016) The Life-Cycle Benefits of an Influential Early Childhood Program

6. Sufficient Statistics Approaches

** Chetty (2009) ARE. Sufficient Statistics for Welfare Analysis: A Bridge Between Structural and Reduced-Form Methods. [C09]

- Saez (2001) ReStud. Using Elasticities to Derive Optimal Income Tax Rates.

- Chetty (2008) JPE. Moral Hazard versus Liquidity and Optimal Unemployment Insurance.

7. Managerial Compensation

** Murphy (1999) HoLE. Executive Compensation. [M99]

** Gayle and Miller (2009) AER. Has Moral Hazard Become a More Important Factor in Managerial Compensation? [GM09]

** Gayle and Miller (2015) ReStud. Identifying and Testing Models of Managerial Compensation. [GM15]

- Gabaix and Landier (2008) QJE. Why has CEO Pay Increased So Much?

- Gayle and Miller (2009) CES. Insider Information and Performance Pay

- Gayle et al. (2012) JoLE. Gender Differences in Executive Compensation and Job Mobility

- Gayle et al. (2015) EMA Promotion, Turnover, and Compensation in the Executive Labor Market