Aggregate Labor Market Dynamics
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Problem Set 3
Due on March 24, 2016

1   Setup

In this problem set, you are asked to write a referee report. Choose one of the following three papers:

1. Engbom, Niklas and Moser, Christian. 2015. *Earnings inequality and the minimum wage: Evidence from Brazil.* Princeton University

2. Sorkin, Isaac. 2015. *Ranking firms using revealed preference.* University of Michigan

3. Restrepo, Pascual. 2015. *Skill mismatch and structural unemployment.* MIT

All of them are this year's job market papers. First two papers built on Burdett and Mortensen (1998), while the third paper is a random search model. Read abstracts of all papers and choose one for refereeing. Imagine that you are writing a referee report for the AER. Below are guidelines on a referee report.

2   Guidelines

The goal of a referee report is to recommend an editor whether a paper is suitable for publication or not, potentially after revision. Whether the paper is good or not, your job is to document for the editor reasons for accepting, rejecting requesting revision. A referee report includes summary of the paper, the development of three or four main points (positive or negative), and potentially four or five smaller points which request clarification or addition.

You should be critical, but not mean. If you point out errors or problems, try to suggest an improvement. This is not always possible but try to be helpful. At the same time, keep in mind that you should not ask the author a to to write a different paper, so you should not suggest extensions which go beyond improving the paper in its own purpose. You should find some balance between being too lenient and asking the author to write a different paper altogether.

2.1 Summary

Write a short summary of the paper using your own words. The purpose of this section is to summarize the paper for the editor so that he can understand the essence and contribution of the paper, without having to read it. Focus on describing the main question, modelling choice, data used, empirical strategy, testing and results.

2.2 Major issues

Take three or four major positive or negative points that you have on the paper and develop them. Below are some suggestions on what these points can be.

For a positive point, you might want to argue why the question is particularly important; the approach particularly novel; the data set new; the identification strategy innovative; results surprising or important.

For a negative point, you might want to look for a lack of correspondence between the question and the model; or the model and the empirical evaluation; or the empirical strategy and the conclusion. Even if there is nothing wrong with a paper, another reason for rejecting the paper is when it is not new in any way. If this one of your points, then you also have to refer to other work which has already done it.

2.3 Other issues

Usually, if you have major issues with the paper due to which you recommend a rejection, typically you do not need to do this section on less important issues. Hopefully papers which you are reading now are not so bad so you might want to use this section to point out some less important but useful suggestions to improve the paper.

2.4 Some issues you might want to check

1. Question

   - Is the question well motivated? Is well defined or should it be made more precise?
   - Is the answer to the question obvious in advance?
   - Is the question original? Is the question important?

2. Model

   - Does the model formalize the question in the introduction?
   - Does the model capture important aspects of reality which are relevant for the question?
   - Is it possible to answer the question within the model?
   - Is the model elegant? simple? too complex? Can a simpler model be used to answer this question?
   - Is it clear how the model works? what are the main forces?
   - Is the model internally consistent?

3. Data and empirical analysis

- Is there a good description of the data?
- Is the choice of dataset suitable for the analysis?
- Is there a sufficient description of the empirical strategy and data so that if you were to replicate the paper yourself, you'd be able to do so just based on the description in the paper?
- Does the author provide enough summary statistic of the data so that you can see where the identification is coming from?
- Is there a clear link from the model to the empirical analysis?

4. Econometrics analysis

- Is the econometric techniques well suited for the problem at hand?
- Is the econometric analysis carefully done and reported?
- Is there any robustness analysis of the results?

5. Results and conclusion

- Are results clear?
- Are they interesting in some way?
- Are the results linked back to the question?
- Is the conclusion in line with the results and the question posed at the beginning?
- Are you convinced?
- What did you learn from the paper?