

Econ 617: Labor Economics

Course info

Instructor:

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Overview

Strictly speaking, labor economics is just the analysis of labor markets. Naturally, this includes topics such as the demand and supply of labor and equilibrium in markets for labor. There are a number of factors that set labor markets apart from other markets studied in economics, presenting unique challenges (chief among them, “labor” consists of human beings, with all of the complexity thereof). Moreover, the set of topics considered the purview of labor economics has proliferated over time. Thus, the concerns of labor economics now include human capital (schooling and education), job-seeking behavior, unions, wage and employment policies, job-training programs, immigration, inequality, discrimination, intergenerational mobility, social interactions, neighborhood and peer effects, and more.

Another differentiating feature of labor economics is a focus on empirical evidence. This isn’t to say that theory is not an important part of labor economics – it is, and many influential theories have been developed in the labor literature. However, labor is a relatively young field. It was developed after the advent of modern statistical theory, during a time when empirical evidence was considered a crucial component of scientific rigor. Many microeconomic methods, particularly those for dealing with sample selection and evaluating the effectiveness of public programs, were developed in response to challenges in labor economics, and can be considered part of labor itself.

These differentiating features of labor economics will be the guiding principles of this class. The field is too large for anyone to understand all of it deeply. It isn’t uncommon for a comprehensive graduate labor syllabus to run 20 or even 30 pages. We’ll take a different approach, and focus on a handful of papers on a number of key topics. While we will discuss the underlying theories, our emphasis will be on the empirical aspects of each topic. Thus, the two main goals of this course are (i) to introduce important topics in labor economics and (ii) to prepare you to do empirical work in economics.

Mechanics

Most of the course will consist of detailed student-led discussions of papers. Each discussion will focus on a single paper. One student will be assigned to lead the discussion of each paper.

That student will read the paper *deeply* and deliver to the class a thorough presentation of the paper, covering

1. The motivation for the paper (e.g., explaining a well-known empirical regularity, answering an open question, etc.),
2. The relevant theory (e.g., the theoretical motivation for the paper or an overview of the theoretical results developed in the paper),
3. The data used in the paper,
4. The paper's empirical strategy (what are the tricky empirical issues that must be overcome to answer the question, and how does the paper overcome them),
5. The results of the paper

The rest of the class will be an "active audience." That is, they will interrupt the presenter to ask clarifying and other questions, testing their and the presenter's understanding of the material. This is excellent practice for giving seminars and, to a lesser extent, teaching.

To promote healthy discussions, students who are not presenting will prepare a brief (1/2-1 page) three-point summary of each paper, covering

1. The motivation for the paper
2. The empirical strategy and results
3. Limitations of the paper

Research paper

Each student will also write a research paper on a topic in labor economics, and present that paper to the class. The paper can be related to one of the topics that we discussed in class or something completely different, as long as it is a proper labor topic.

The paper (and presentation) should include:

1. Introduction, motivation and literature review: What is your topic, and why does it matter? What has other research on this topic found? Give a brief overview of your empirical strategy and results
2. Theory: Either an informal discussion about how existing theory motivates your question or empirical strategy, or if necessary, a new model or new twist on an existing model.
3. Description of data used in the paper: Where did you get your dataset? Why are you using these data? Are there any limitations of this dataset (key variables missing, etc.) and, if so, how are you going to deal with them? Provide summary statistics for key variables to give a sense of what your data look like.
4. Empirical strategy: How are you going to answer your question? What potential problems might you run into (Endogeneity? Sample selection? Censoring? Omitted variables?) and how are you going to solve them?
5. Conclusion: What do we take away from your results? What are the implications? What are potential limitations of your research? How can this research be extended?

Can you apply this method to other topics? Can you think of a better way to overcome the limitations of your approach?

The paper should be about 10-15 pages, including tables, figures and references. It doesn't have to be perfect. Just pose an interesting question and try to answer it. This short paper might turn into a dissertation chapter. Even if it doesn't, figuring out how to overcome the problems you run into might provide the basis for a future paper. Or you might realize that, while you can't answer your original question, you can apply your approach to answer a related question.

Coming up with interesting, tractable research questions is hard work. Answering them is even harder. As such, it's imperative that you get an early start. I will have students submit a preliminary version of their research question and empirical strategy for approval early on, so that I can provide some guidance.

This isn't an English class, but it is a good time to hone your academic writing skills. I am also not an English teacher, so I can only offer a few pieces of writing advice. Since we use a lot of made-up words in economics, we become inured to the red squiggly lines, so be sure to read your paper carefully for typos. Jargon and acronyms increase the cognitive cost of reading your paper, so use them sparingly, and only in cases where they save you a lot of typing. Don't assume that the audience has read everything that you have – when in doubt, explain. If you ever think to yourself “they'll probably know what I'm trying to say,” you're wrong; rewrite. For real writing advice, consult *The Elements of Style* by Strunk and White or *Economical Writing* by McCloskey, both of which are cheap online.

Assessment

Your grade in this class will be based on your performance on:

- Short paper summaries, worth a total of 20% of your grade,
- Paper discussion presentations, worth a total of 40% of your grade, and
- A research paper and final presentation, worth a total of 40% of your grade.

Outline and readings

There is no required textbook for this course. At the end of each section of the reading list, I have included a reference to a review paper that provides an overview of the main theoretical and empirical results for the relevant topic. These reviews, and the references therein, are good starting points for additional information.

Two undergraduate treatments are *Labor Economics* by Borjas and *Modern Labor Economics* by Ehrenberg and Smith. At the graduate level, there is *Labor Economics* by Cahuc, Carcillo and Zylberberg. You are not required to purchase any of these books. The undergraduate texts provide a nice overview of the basics; the graduate text might be a good investment if you think you might do additional work in labor.

A nice review of identification strategies and data sources is “Empirical Strategies in Labor Economics” by Angrist and Krueger (1999, Handbook of Labor Economics, Volume 3, Chapter

23). A book-length treatment of this material is *Mostly Harmless Econometrics* by Angrist and Pischke.

1. Labor supply

Eissa, Nada and Jeffrey B. Liebman. 1996. "Labor Supply Response to the Earned Income Tax Credit." *Quarterly Journal of Economics* 111 (2): 605-637.

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* 112 (2): 407-41.

Farber, Henry S. 2005. "Is Tomorrow Another Day? The Labor Supply of New York City Cabdrivers." *Journal of Political Economy* 113 (1): 46-82.

Background reference and additional reading

Blundell, Richard, and Thomas Macurdy. 1999. "Labor Supply: A Review of Alternative Approaches." *Handbook of Labor Economics* 3: 1559-1695.

2. Labor demand

Krueger, A. B. 1993. "How Computers Have Changed the Wage Structure: Evidence from Microdata, 1984-1989." *The Quarterly Journal of Economics* 108 (1): 33-60.

DiNardo, John E., and Joern Steffen Pischke. 1997. "The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?" *Quarterly Journal of Economics* 112 (1): 291-303.

Background and additional reading

Hamermesh, Daniel S. 1986. "The Demand for Labor in the Long Run." In *Handbook of Labor Economics*, edited by Orley Ashenfelter and R. Layard, 1:430-71. Elsevier Science.

3. Labor-market equilibrium

Dube, Arindrajit, T William Lester, and Michael Reich. 2010. "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties." *The Review of Economics and Statistics* 92 (4): 945-64.

Goldin, Claudia and Lawrence F. Katz. 2007. "The Race Between Education and Technology: The Evolution of U.S. Educational Wage Differentials, 1890 to 2005." NBER Working Paper No. 12984.

Background and additional reading

Acemoglu, Daron, and David Autor. 2011. "Skills, Tasks and Technologies: Implications for Employment and Earnings." In *Handbook of Labor Economics*, edited by Orley Ashenfelter and David Card, 4B:1043-1171. Elsevier Inc.

4. Human capital

Angrist, Josh D., and Alan B. Krueger. 1991. "Does Compulsory School Attendance Affect Schooling and Earnings?" *Quarterly Journal of Economics* 106 (4): 979-1014.

Buckles, Kasey S, and Daniel M Hungerman. 2013. "Season of Birth and Later Outcomes: Old Questions, New Answers." *The Review of Economics and Statistics* 95 (3): 711-24.

Ashenfelter, Orley, and Alan Krueger. 1994. "Estimates of the Economic Return to Schooling from a New Sample of Twins." *American Economic Review* 84 (5): 1157-73.

Background and additional reading

Card, David. 1999. "The Causal Effect of Education on Earnings." In *Handbook of Labor Economics*, edited by Orley Ashenfelter and David Card, 3:1801-1863. Elsevier Science.

5. Discrimination

Goldin, Claudia, and Cecilia Rouse. 2000. "Orchestrating Impartiality: The Impact Of 'blind' auditions on Female Musicians." *American Economic Review* 90 (4): 715-41.

Bertrand, Marianne, and Sendhil Mullainathan. 2004. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review* 94 (4): 991-1013.

Altonji, Joseph G., and Charles R. Pierret. 2001. "Employer Learning and Statistical Discrimination." *Quarterly Journal of Economics* 116 (1): 313-50.

Neal, Derek A., and William R. Johnson. 1996. "The Role of Premarket Factors in Black-White Wage Differences." *Journal of Political Economy* 104 (5): 869.

Background and additional reading

Lang, Kevin, and Jee-Yeon K Lehmann. 2012. "Racial Discrimination in the Labor Market: Theory and Empirics." *Journal of Economic Literature* 50 (4): 959-1006.

6. Immigration

Card, David. 1990. "The Impact of the Mariel Boatlift on the Miami Labor Market." *Industrial and Labor Relations Review* 43 (2): 245-57.

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): 1335-74.

Boustan, Leah Platt, Price V. Fishback, and Shawn Kantor. 2010. "The Effect of Internal Migration on Local Labor Markets: American Cities during the Great Depression." *Journal of Labor Economics* 28 (4): 719-46.

Background and additional reading

Borjas, GJ. 1994. "The Economics of Immigration." *Journal of Economic Literature* XXXII: 1667-1717.

Tentative schedule

TBD

Course policies

Attendance. Attendance is mandatory. It's also a good way to learn the material.

Accommodations. If you require any accommodations (such as extra time, a different testing environment, etc.), please let me know as soon as possible. For more information on the University's policies regarding such accommodations, see <http://sds.olemiss.edu>.

Collaboration and plagiarism. All of the work that you submit for this course must be your own; any violation of this standard constitutes plagiarism. Any student found plagiarizing once will fail the assignment or exam; any student found twice will fail the course.