

DRAFT SYLLABUS

May 30, 2020

Summer 2020

Economics S-1016

Labor Economics

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Lecture time: Mondays, Wednesdays, 3:15 p.m.-6:15 p.m. (June 22 to August 5)

Location: 1 Story Street Room 302

Website: <https://canvas.harvard.edu/courses/72472>

Teaching Fellow: Jack Feng (fengj@g.harvard.edu)

Weekly section: TBA

Course Description: This course will introduce students to the field of labor economics, with an emphasis on current policy issues and new research. Issues discussed will include the effects of minimum wages, mandated benefits, immigration, taxes, and transfer programs on wages and employment; human capital and the labor market returns to education; measurement of the value added of teachers and colleges; the effect of unemployment insurance on unemployment durations; the effect of disability insurance on labor force participation; new evidence on income, wage, and wealth inequality and intergenerational mobility. Students will learn current econometric and theoretical methods used in applied microeconomics and how to write about and apply these methods in their own research.

Prerequisites: microeconomics (Ec 10a)

Grading: Grades will be based on a midterm exam (20 percent), final exam (40 percent), a referee report (10 percent), and two empirical exercises using data (30 percent).

Term Paper Option: In lieu of the final exam, students may write a term paper that contains original research on a topic in labor economics.

Readings: Course readings consist of articles published in academic journals and chapters from the required textbook (Borjas, George J. *Labor Economics*. 5th ed. Boston, MA: McGrawHill, 2010). Note that any edition of Borjas is ok.

Graduate credit: Assignments and readings that are more advanced will be assigned for students enrolled for graduate-credit.

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Academic accommodations: The Summer School is committed to providing an accessible academic community. The Accessibility Office offers a variety of accommodations and services to students with documented disabilities. [Click here.](#)

Collaboration: No collaboration of any kind is allowed on the midterm or final exam. You may discuss your referee report and empirical exercise with your peers. However, you should ensure that any written work you submit for evaluation is the result of your own research and writing and that it reflects your own approach to the topic. You must also adhere to standard citation practices in this discipline and properly cite any books, articles, websites, lectures, etc. that have helped you with your work. If you received any help with your writing (e.g., feedback on drafts), you must also acknowledge this assistance.

Academic integrity policy: You are responsible for understanding Harvard Summer School policies on academic integrity (<http://www.summer.harvard.edu/policies/student-responsibilities>) and how to use sources responsibly. Not knowing the rules, misunderstanding the rules, running out of time, submitting the wrong draft, or being overwhelmed with multiple demands are not acceptable excuses. To support your learning about academic citation rules, please visit the Resources to Support Academic Integrity (<http://www.summer.harvard.edu/resources-policies/resources-supportacademic-integrity>) where you will find links to the Harvard Guide to Using Sources and two free online 15-minute tutorials to test your knowledge of academic citation policy. The tutorials are anonymous open-learning tools.

Course Outline

Students are responsible for reading a small number of research papers, which appear in bold on the class outline below. As we go along, we will let you know when each of the required readings should be done. The first reading should be done in the first week. Please focus on understanding the main ideas, rather than technical details.

Week 1

Introduction

Borjas Chapter 1

R. Chetty, J. N. Friedman, N. Hendren, M. Stepner, and the Opportunity Insights Team. "Real-Time Economics: A New Platform to Track the Impacts of COVID-19 on People, Businesses, and Communities Using Private Sector Data." Interactive website.

T. Cajner, L.D. Crane, R.A. Decker, J. Grigsby, A. Hamins-Puertolas, E. Hurst, C. Kurz, A. Yildirmaz. "The U.S. Labor Market during the Beginning of the Pandemic Recession," University of Chicago Working Paper, May 2020.

E. Duflo. Empirical Methods. [summary of basic program evaluation methods]

Labor supply: elasticities, income vs. substitution effects, labor force participation, and hours vs. broader measures of labor supply

Borjas Chapter 2

J. Angrist and W. Evans, "Children and Their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size," *American Economic Review* 88(3): 450-77, 1998.

K. Kleven, C. Landais, and J. Sogaard, "Children and Gender Inequality: Evidence from Denmark," *American Economic Journal: Applied Economics* 11(4): 181-209, 2019.

G.W. Imbens, D.B. Rubin and B.I. Sacerdote, "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence From A Survey Of Lottery Players," *American Economic Review* 91(4): 778-794, 2001.

M.S. Feldstein "The Effect of Marginal Tax Rates on Taxable Income: A Panel Study of the 1986 Tax Reform Act," *Journal of Political Economy* 103(3): 551-572, 1995.

E. Saez, "Do Taxpayers Bunch at Kink Points?" *American Economic Journal: Economic Policy* 2(3): 180-212, 2010.

R. Chetty, J. Friedman and E. Saez, "Using Differences in Knowledge across Neighborhoods to Uncover the Impacts of the EITC on Earnings" *American*

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Economic Review 103(7): 2683-2721, 2013.

B.D. Meyer, "The Effects of the Earned Income Tax Credit and Recent Reforms," *Tax Policy and the Economy*, ed. J.M. Poterba, 153-80. MIT Press: Cambridge, MA, 2010.

M.S. Feldstein, "Effects of Taxes on Economic Behavior," *National Tax Journal* 61(1): 131-39, March 2008.

Week 2

Labor demand

Borjas Chapter 4

Labor market equilibrium: minimum wages, mandated benefits, and immigration

Borjas Chapter 5

E. Saez, Emmanuel, B. Schoefer, and D. Seim, "Payroll Taxes, Firm Behavior, and Rent Sharing: Evidence from a Young Workers' Tax Cut in Sweden," *American Economic Review* 109(5): 1717-63, 2019.

D. Card and A. Krueger, "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania," *American Economic Review* 84(4): 772-793, September 1994.

A. Dube, T.W. Lester and M. Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *Review of Economics and Statistics* 92(4): 945-964, November 2010.

E. Jardim, M.C. Long, R. Plotnick, E. van Inwegen, J. Vigdor, and H. Wething, "Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle," NBER Working Paper No. 23532, June 2017.

M. Reich, S. Allegretto, and A. Godoey , "Seattle's Minimum Wage Experience 2015-16," UC-Berkeley working paper, June 2017.

L. Summers, "Some Simple Economics of Mandated Benefits," *American Economic Review Papers & Proceedings* 79(2): 177-183, 1989.

D. Acemoglu and J. D. Angrist, "Consequences Of Employment Protection? The Case of The Americans With Disabilities Act," *Journal of Political Economy* 109(5): 915-957, 2001.

D. Card, "The Impact of the Mariel Boatlift on the Miami Labor Market," *Industrial and Labor Relations Review* 43(2): 245-257, 1990.

G. Borjas, "The Wage Impact of the Marielitos: A Reappraisal," NBER Working Paper No. 21588.

G. Peri and V. Yasenov "The Labor Market Effects of a Refugee Wave: Applying the Synthetic Control Method to the Mariel Boatlift," NBER Working Paper No. 21801.

Week 3

Human capital and education I: Theory

Borjas Chapter 6

Human capital and education II: Evidence

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

D. Clark and P. Martorell, "The Signaling Value of a High School Diploma," *Journal of Political Economy* 122(2): 282-318, 2014.

J.D. Angrist and V. Lavy, "Using Maimonides Rule to Estimate the Effects of Class Size on Academic Achievement," *Quarterly Journal of Economics* 114(2): 533-575, 1999.

R. Chetty, J. Friedman, N. Hilger, E. Saez, D. Schanzenbach, and D. Yagan, "How Does Your Kindergarten Classroom Affect Your Earnings? Evidence from Project STAR" *Quarterly Journal of Economics* 126(4): 1593-1660, 2011.

R. Jensen. "The (Perceived) Returns to Education and the Demand for Schooling," *Quarterly Journal of Economics* 125(2): 515-548, 2010.

E. Duflo, "Child Health and Household Resources in South Africa: Evidence from the Old Age Pension Program," *American Economic Review* 90(2): 393-398, May 2000.

S. Dynarski, "Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion," *American Economic Review* 93(1): 279-288, March 2003.

Week 4

Monday, July 13 – midterm exam

Measuring Value Added: The Effect of Teachers and Colleges on Earnings

S. Dale and A. Krueger "Estimating The Payoff Of Attending A More Selective College: An Application Of Selection On Observables And Unobservables," *Quarterly Journal of Economics* 107(4): 1491-1527, 2002.

S.D. Zimmerman, "The Returns to College Admission for Academically Marginal Students," *Journal of Labor Economics* 32(4): 711-754, 2014.

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R. Chetty, J. Friedman and J. Rockoff “Measuring the Impacts of Teachers I: Evaluating Bias in Teacher Value-Added Estimates,” *American Economic Review* 104(9): 2593-2632, 2014.

R. Chetty, J. Friedman and J. Rockoff “Measuring the Impact of Teachers II: Teacher Value-Added and Student Outcomes in Adulthood,” *American Economic Review* 104(9): 2633-2679, 2014.

R. Chetty, J. Friedman, E. Saez, N. Turner, and D. Yagan, “Income Segregation and Intergenerational Mobility Across Colleges in the United States,” forthcoming *Quarterly Journal of Economics*.

Effects of Childhood Exposure to Neighborhoods and Health Insurance on Earnings in Adulthood

D. W. Brown, A. E. Kowalski, and I. Z. Lurie, “Medicaid as an Investment in Children: What is the Long-Term Impact on Tax Receipts?” NBER Working Paper No. 20835, January 2015

R. Chetty, N. Hendren and L. Katz, “The Effects of Exposure to Better Neighborhoods on Children: New Evidence from the Moving to Opportunity Experiment” *American Economic Review* 106(4): 855-902, 2016.

R. Chetty, J.N. Friedman, N. Hendren, M. R. Jones, and S. R. Porter, “The Opportunity Atlas: Mapping the Childhood Roots of Social Mobility.” NBER Working Paper No. 25147, 2018. Non-technical summary.

Week 5

Unemployment I: Job Search

Borjas Chapter 12

Unemployment II: Unemployment Insurance

K. Kroft, F. Lange, and M.J. Notowidigdo, “Duration Dependence and Labor Market Conditions: Evidence from a Field Experiment,” *Quarterly Journal of Economics* 128 (3): 1123–1167, 2013.

A.C. Johnston and A. Mas, “Potential Unemployment Insurance Duration and Labor Supply: The Individual and Market-Level Response to a Benefit Cut,” NBER Working Paper No. 22411, July 2016.

D. Card, A. Johnston, P. Leung, A. Mas, and Z. Pei, “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 & Proceedings* 105(5): 126-30, 2015.

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B. Meyer, "Unemployment Insurance and Unemployment Spells," *Econometrica* 58(4): 757-782, 1990.

D. Black, J. Smith, M. Berger, and B. Noel, "Is the Threat of Reemployment Services More Effective than the Services Themselves? Evidence from UI System Using Random Assignment," *American Economic Review* 93(4): 1313-27, 2009.

R. Chetty, "Moral Hazard vs. Liquidity and Optimal Unemployment Insurance," *Journal of Political Economy* 116(2): 173-234, 2008.

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

S. LaLumia, "The EITC, Tax Refunds and Unemployment Spells," *American Economic Journal: Economic Policy* 5(2): 188-221, 2013.

Intertemporal Labor Supply, Retirement, and the Labor Supply of Older Workers

Borjas Chapter 3

Week 6

Disability, Disability Insurance, and Labor Force Participation

D.H. Autor and M.G. Duggan, "The Growth in the Social Security Disability Rolls: A Fiscal Crisis Unfolding," *Journal of Economic Perspectives* 20(3): 71-96, 2006.

J. Bound, "The Health and Earnings of Rejected Disability Insurance Applicants," *American Economic Review* 79: 482-503, 1989.

T. von Wachter, J. Song, and J. Manchester, "Trends in Employment and Earnings of Allowed and Rejected Applicants to the Social Security Disability Insurance Program," *American Economic Review* 101(7): 3308-29, 2011.

D.H. Autor and M. G. Duggan, "The Rise in the Disability Rolls and the Decline in Unemployment," *Quarterly Journal of Economics* 118 (1): 157-205, 2003.

N. Maestas, K.J. Mullen, and A. Strand, "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt," *American Economic Review* 103(5): 1797-1829, 2013.

D.H. Autor, N. Maestas, K.J. Mullen, and A. Strand, "Does Delay Cause Decay? The Effect of Administrative Decision Time on the Labor Force Participation and Earnings of Disability Applicants," NBER Working Paper No. 20840, January 2015.

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Income Inequality, Wealth Inequality, and Intergenerational Mobility

Borjas Chapter 7

D.H. Autor, “Skills, education, and the rise of earnings inequality among the ‘other 99 percent,” *Science* 344(6186): 843-85, May 2014.

T. Piketty and E. Saez “Income Inequality in the United States, 1913-1998,” *Quarterly Journal of Economics* 118(1): 1-39, 2003.

E. Saez and G. Zucman, “Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data,” *Quarterly Journal of Economics* 131(2): 519-578, 2016.

R. Chetty, N. Hendren, P. Kline, and E. Saez. “Where Is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” *Quarterly Journal of Economics* 129 (4): 1553-1623, 2014.

A. Bell, R. Chetty, X. Jaravel, N. Petkova, and J. Van Reenen. “Who Becomes an Inventor in America? The Importance of Exposure to Innovation,” *Quarterly Journal of Economics* 134(2): 647-713, 2020.

R. Chetty, N. Hendren, M. Jones, and S. Porter. 2020. “Race and Economic Opportunity in the United States: An Intergenerational Perspective” forthcoming *Quarterly Journal of Economics*, 2020.

Week 7

Wednesday, August 5 – final exam