

Economics 609
Human Resource Economics I
Spring 2007

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TR 11:55AM - 1:10PM ALLN 3067

This course is part of a two-semester sequence in labor economics. The goal is to present an overview over some of the questions currently studied by labor economists and to introduce methodologies commonly used by researchers.

Your grade is determined by:

- a presentation of a paper by another author (15%),
- a term paper + a presentation of your project in class (40%),
- a final exam(30%),
- and your class participation (15%).

Students who do not choose labor as a field are expected to write a short self-contained paper (around 12 to 15 pages). These students will hand in a 1 or 2 page proposal on February 20th. On March 22nd they will hand in a first draft of the introduction and the data section (description of the data and summary statistics). The final paper is due on April 26th.

Students who take labor as a field and attended Professor Ureta's class last semester (or plan to attend her class next semester) follow a different plan. The goal is that by the end of the second course in the sequence you will have completed a research project suitable for submission to a professional journal. These projects differ in their nature and some of you already made substantial progress on their papers. Therefore, I don't want to impose formal deadlines for intermediate steps, but you should discuss your project as early as possible with Professor Ureta and me. We will get together throughout the semester to evaluate your progress. On April 26th you have to hand in a (potentially unfinished) paper that will be used in the determination of your grade.

All students will present their work during the last week of the semester. Each presentation will critically discussed by another student (a ‘discussant’).

In addition you have to present a paper by another author. You can suggest a paper that you want to present. It might be useful to present something related to your project. You have to propose a paper to me by February 16th. Otherwise, I will assign a paper.

Professor Ureta and I think that you would benefit from attending the Applied Microeconomics Workshop on Wednesdays. Professor Ureta and students from previous cohorts will join us at the end of the Thursday lectures to informally discuss the paper presented on the previous day.

ADA Policy Statement: The Americans with Disabilities Act (ADA) is a federal anti-discrimination statute that provides comprehensive civil rights protection for persons with disabilities. Among other things, this legislation requires that all students with disabilities be guaranteed a learning environment that provides for reasonable accommodation of their disabilities. If you believe you have a disability requiring an accommodation, please contact the Office of Support Services for Students with Disabilities in Room 126 of the Student Services Building. The phone number is 845-1637.

AGGIE HONOR CODE

“An Aggie does not lie, cheat or steal or tolerate those who do.” Upon accepting admission to Texas A&M University, a student immediately assumes a commitment to uphold the Honor Code, to accept responsibility for learning, and to follow the philosophy and rules of the Honor System. Students will be required to state their commitment on examinations, research papers, and other academic work. Ignorance of the rules does not exclude any member of the TAMU community from the requirements or the processes of the Honor System. For additional information please visit www.tamu.edu/aggiehonor/

Pledge:

On all course work, assignments or examinations required for this course, the following Honor Pledge shall be pre-printed and signed by the students:

“On my honor, as an Aggie, I have neither given nor received unauthorized aid on this work.”

Outline & Reading list

General Reading

Orley Ashenfelter and David Card, eds., Handbook of Labor Economics North-Holland, 1999

Cahuc and Zylberberg (2004) Labor Economics MIT Press

Wooldridge Jeffrey (2002) Econometric Analysis of Cross Section and Panel Data. MIT Press

I. Introduction

Labor Supply Cahuc and Zylberberg Chapter 1

Labor Demand Cahuc and Zylberberg Chapter 4

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Blundell, R. and T. MaCurdy (1999) Labor supply: A review of alternative approaches.

Handbook of Labor Economics. Chapter 27

Prescott, Edward C.(2003) "Why Do Americans Work So Much More Than Europeans?"

Working paper

II. Empirical Methods

Angrist and Krueger, Empirical Strategies in Labor Economics.

Handbook of Labor Economics, Chapter 23

Eissa Nada and Jeffrey B. Liebman (1996) Labor Supply Response to the Earned Income Tax Credit. *The Quarterly Journal of Economics*

Card David (1990) The Impact of the Mariel Boatlift on the Miami Labor Market
Industrial and Labor Relations Review

J. Angrist and W. Evans, "Children and their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size," *American Economic Review*, 88[3], June 1998, 450-477

Angrist Joshua D. and Victor Lavy (1999) Using Maimonides' Rule to Estimate The Effect of Class Size on Scholastic Achievement *The Quarterly Journal of Economics*

Card D. and O. Ashenfelter (1985) Using the Longitudinal Structure of Earnings to Estimate the Effect of Training Programs. *The Review of Economics and Statistics*

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Wooldridge Jeffrey (2002) *Econometric Analysis of Cross Section and Panel Data*.
MIT Press

Card, David, and Philip K. Robins, "Do Financial Incentives Encourage Welfare Recipients to Work? Evidence from a Randomized Evaluation of the Self-Sufficiency Project," NBER Working Paper #5701, August, 1996.

Robert J. LaLonde (1986) Evaluating the Econometric Evaluations of Training Programs with Experimental Data. *American Economic Review*

Rosenzweig Mark and Kenneth Wolpin (2000) Natural „Natural Experiments“ in Economics
Journal of Economic Literature

Cameron, Colin and Pravin Trevidi. (2005). *Microeconometrics: Methods and Applications*.
Cambridge University Press.

Lucas, Robert (1976). *Econometric Policy Evaluation: A Critique*. *Carnegie-Rochester
Conference Series on Public Policy* 1: 19-46

Stanley, T.D. 2001. "Wheat from Chaff: Meta-analysis as Quantitative Literature Review."
Journal of Economic Perspectives 15(3): 131-50.

III. Selection

Heckman and Honore (1990) The empirical content of the Roy model.
Econometrica 15, 1121-1149

Heckman(1979) "Sample Selection Bias"
Econometrica

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Roy (1951) Some thoughts on the distribution of earnings.
Oxford economic papers

Borjas George(1999) The economic analysis of immigration.
Handbook of labor economics.

Manski, Charles. 1989. "The Anatomy of the Selection Problem." *Journal of Human
Resources*. 24: 343-360.

IV. The distribution of Earnings

Katz L. F. and D. Autor (1999) Changes in the wage structure and earnings inequality.
Handbook of Labor economics

Neal and Rosen (2000), Theories of the Distribution of Earnings.
Handbook of Income Distribution

Rosen (1981) The Economics of Superstars.
The American Economic Review

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Sattinger (1993) Assignment models of the distribution of earnings
Journal of Economic Literature

Beaudry Paul and David Green (2005) “ Changes in U.S. Wages,1976-2000:
Ongoing Skill Bias or Major Technological Change?”
Journal of Labor Economics, vol. 23, no.3

Lemieux Thomas (forthcoming AER) Increasing Residual Wage Inequality:
Composition Effects, Noisy Data, or Rising Demand for Skill?
(*working paper UBC*)

V. Human capital / Education

Ben Portath (1967) The production of Human Capital and the life cycle of earnings

Card, David, "The Causal Effect of Education on Earnings"
Handbook of Labor Economics, Volume 3

Michael Spence (1973) Job Market Signaling *The Quarterly Journal of Economics*

Tyler Murnane Willett (2000) Estimating the Labor Market Signaling Value of the GED
The Quarterly Journal of Economics

Manski (1993) Identification of endogenous social effects: The Reflection Problem
Review of Economic Studies

Hoxby (2000) Peer Effects in the Classroom: Learning from Gender and Race Variation
NBER Working Paper

Sacerdote Bruce (2001) Peer Effects with Random Assignment: Results for Dartmouth
Roommates. *Quarterly Journal of Economics*, 681-704

.....
Bowles Samuel; Herbert Gintis; Melissa Osborne (2001) The Determinants of
Earnings: A Behavioral Approach. *Journal of Economic Literature*

Akerlof George A. (1970) The Market for "Lemons": Quality Uncertainty and the Market
Mechanism. *The Quarterly Journal of Economics*, Vol. 84, No. 3. pp. 488-500.

Becker (1975) Human Capital, University of Chicago Press

Carneiro P., K. T. Hansen, and J. Heckman (2003) Estimating Distributions of Treatment Effects
with an Application to the Returns to Schooling. *International Economic Review*

Willis and Rosen (1979) Education and self-selection. *Journal of Political Economy*

VI. Matching/Search

Cahuc and Zylberberg Chapter 3

Cahuc and Zylberberg Chapter 9

Jovanoivic (1979) Job matching and the Theory of Turnover *Journal of Political Economy*
(Simpler version in Sargent (1987): *Dynamic Macroeconomic Theory*.Harvard University Press)

Faber H. and R. Gibbons. (1996) "Learning and Wage Dynamics."
Quarterly Journal of Economics, Vol 111, Issue 4, 1007-1047

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Pissarides, C.A. (2000). *Equilibrium Unemployment Theory*, MIT Press

Mortensen, Dale T. and Christopher A. Pissarides, (1994) "Job Creation and Job Destruction in
the Theory of Unemployment" *Review of Economic Studies*

Rogerson,Richard, Robert Shimer and Randall Wright, "Search-Theoretic Models of the Labor
Market: A Survey ," July, 2004

Mortensen Dale T. and Christopher A. Pissarides (1999) *New Developments in Models of
Search in the Labor Market. Handbook of labor economics.*

Harold L. Cole; Richard Rogerson: Can the Mortensen-Pissarides Matching Model
Match the Business-Cycle Facts? *International Economic Review*, Vol. 40, No. 4, Issue
on Search, Matching and Related Topics. (Nov., 1999), pp. 933-959

VII. Social Environment / Family Background

Solon G. (1999), Intergenerational Mobility in the Labor Market.
Handbook of Labor Economics, Volume 3, Chapter 29

Solon (2000) Cross Country Differences in Intergenerational Mobility
Journal of Economic Perspectives

Montgomery (1990) Social Networks and labor market outcomes. AER

Mayer A. and S. Puller (2004) “The Old Boy (and Girl) Network: Social Network Formation on
University Campuses” Working Paper

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Becker (1975) Human Capital, University of Chicago Press

Becker G. (1981) A Treatise on the Family. Harvard University Press

VIII. Contracts: Incentives and Insurance

Cahuc and Zylberberg Chapter 6

Harris and Holmstrom (1982) A Theory of Wage Dynamics. Review of Economic Studies

Malcomson James M. (1999) Individual employment contracts.
Handbook of Labor Economics. Chapter 35

IX. Other Topics

Levitt Steven (2004) Understanding Why Crime Fell in the 1990s: Four Factors that
Explain the Decline and Six that Do Not. *Journal of Economic Perspectives*