Labor Economics I
Fall 2014

Instructor:

Christopher Flinn
Room 809, 19 W. 4th Street
212-998-8925
e-mail: christopher.flinn@nyu.edu

Class Schedule:

Wednesday 4-6, Room 624, 19 W. 4th Street

Office Hours:

By appointment (send me an e-mail or contact me after class).

Course Objectives:

The objective of the course is to acquaint students with modern topics, modeling strategies, econometric methods, and empirical work in the field of labor economics. We will cover topics in the analysis of labor market dynamics [(unemployed and on-the-job) search and informational models of turnover], alternative models of wage determination, compensating differentials, and household behavior and human capital investment, particularly in children and young adults. For each of the topics covered we will begin by presenting some of the relevant theoretical models that have been developed. We will then turn our attention to issues of model specification and estimation given the type of data typically available to labor economists. We intend to spend roughly equal amounts of time on theoretical and empirical issues.

Prerequisites:

One year of microeconomic theory and Econometrics II or its equivalent.

Text:

There is no required text, but my recent book (The Minimum Wage and Labor Market Outcomes, MIT Press, 2010) provides some background for continuous time search models and contains some applications that will be discussed extensively in class. A text that gives a very good overview of most of the topics we cover in the course (and many that we will not), although without much attention to econometric issues, is Labor Economics by P. Cahuc and A. Zylberberg, MIT Press, 2004. It is well-written and could serve as a useful overview of the field.

Requirements and Grading:

1. There is a take-home final examination. Questions will be based on the required material on the reading list and lecture material.

2. During the semester I will hand out 4 or 5 problem sets that you are expected to complete and hand in. The possible grades will be good, satisfactory, and unsatisfactory. The problem sets will attempt to emphasize an equal amount of theory, econometrics, and empirics.

3. Each student is expected to present one of the papers on the reading list (or an approved paper not on it) during the semester. The presentation, including a critical discussion of the paper, should be approximately 30 minutes in length.
Readings:
The items on the reading list marked with an asterisk (*) are required readings. You should be able to find almost everything on-line. If you have difficulties locating something, let me know.

Topics:

<table>
<thead>
<tr>
<th>Lecture</th>
<th>R.L. #</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.A</td>
<td>Course Introduction; Describing Labor Market Dynamics</td>
</tr>
<tr>
<td>2</td>
<td>1.B</td>
<td>Unemployed Search Theory</td>
</tr>
<tr>
<td>3</td>
<td>1.C</td>
<td>Econometrics of Unemployed Search</td>
</tr>
<tr>
<td>4</td>
<td>1.D</td>
<td>Matching, Bargaining, and Search</td>
</tr>
<tr>
<td>5</td>
<td>1.E</td>
<td>Equilibrium Search</td>
</tr>
<tr>
<td>6</td>
<td>1.F</td>
<td>Equilibrium Search Applications</td>
</tr>
<tr>
<td>7</td>
<td>1.G</td>
<td>Job Mobility</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>Job Mobility (continued)</td>
</tr>
<tr>
<td>9</td>
<td>1.H</td>
<td>Compensating Differentials</td>
</tr>
</tbody>
</table>

**Labor Market Dynamics**

**Household Economics**

<table>
<thead>
<tr>
<th>Lecture</th>
<th>R.L. #</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>2.B</td>
<td>Models of Household Formation and Dissolution</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>Household Formation and Dissolution (continued)</td>
</tr>
<tr>
<td>13</td>
<td>2.C</td>
<td>Child Development</td>
</tr>
<tr>
<td>14</td>
<td></td>
<td>Child Development (continued)</td>
</tr>
</tbody>
</table>
Reading List

Note: Selections with (*) are required

1.A. Describing Labor Market Dynamics


1.B. Unemployed Search Theory

1. *Burdett and Mortensen (from 1.A), continued.

2. *Flinn (from 1.A), continued.


1.C. Econometrics of Unemployed Search


1.D. Matching, Bargaining, and Search


1.E Equilibrium Search


1.F Equilibrium Search Applications


1.G. Job Mobility


1.H Compensating Differentials


2.B Models of Household Formation and Dissolution


2.C Child Development


