New York University
Department of Economics
Labor Economics II (Graduate)
Spring 2015

Basic Information:

Instructor: Kevin Thom
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Office: TBA
Office Hours: By Appointment (email me)
Lectures: Tuesday, 11:05 AM - 1:05 PM, 19. W. 4th Street, Room 624

Course Goals

This course represents a continuation of Labor Economics I and thus seeks to familiarize you with important core issues in labor economics. The major topics covered in the course are listed below in the course outline. The course assignments are also listed below. One of the major goals of the course, apart from broadening your knowledge of labor economics, is to help you formulate your own original research ideas. Towards that end, the assignments have been chosen to isolate particular steps in the process of building a research agenda: identifying and assessing the potential of new research ideas (your own pre-proposal and the referee report assignments), analyzing the contribution of existing work and presenting research ideas (presentation), and beginning to work on an original project (the actual proposal).

Assessment

Your grade will be composed of three components:

1. **Presentations: 30% of your grade** Early on in the course, I will identify a subset of the papers listed for the course as presentation papers. You will be asked to provide an exposition of one paper's motivation and main findings in a presentation of approximately 30 minutes. Procedures for determining presentation assignments will depend on enrollment in the class.

2. **Referee Report: 20% of your grade** You will be asked to prepare a referee report on a job paper dealing with a labor topic from this year's job market cohort. I will e-mail everyone a list of labor job papers that I have found, but you are certainly free to use one that you find on your own with my approval. A referee report should include a brief summary of the paper's motivation, contribution, and main results.

Additionally, you should include your own critical comments on the strengths and weaknesses of the paper, and any changes that the author could make to revise the paper. Your referee report should indicate a familiarity with the literature relevant to this candidate's paper. This should be *no more* than 5 pages

3. **Paper Proposal: 50% of your grade** You will be asked to write a proposal for a research paper that could turn into second year paper or a project that you work on during your third year. This should include a motivation which indicates a familiarity with the relevant literature, but it should certainly go beyond that. The proposal should indicate a question that you would like to pursue and should either sketch a new theoretical argument or identify an existing claim that you would like to test empirically in a novel way. You should identify promising data sources, and if feasible, suggest how you would use the data to test a theory or estimate a model. This will unfold in two stages. First, on Tuesday, March 25, you will be asked to submit a sketch of at least two ideas for research topics. This entails writing a couple of paragraphs on each idea. We will discuss these as a class on that date. The actual proposal will be due, tentatively, on Tuesday, May 19.

Course Outline:

Labor Supply: Static Models

- Blundell and MaCurdy "Labor Supply: A Review of Alternative Approaches" Handbook of Labor Economics, Volume 3, 1999, pp. 1586-1591
- Killingsworth Labor Supply 1983, Chapter 3
- Pencavel, "Labor Supply of Men: A Survey" Handbook of Labor Economics, Volume 1, 1986
- Killingsworth and Heckman, "Female Labor Supply: A Survey" Handbook of Labor Economics, Volume 1, 1986

Labor Supply: Sample Selection Issues

- Killingsworth Labor Supply 1983, Chapter 4
- Mroz, "The Sensitivity of an Empirical model of Married Women's Hours of Work to Economic and Statistical Assumptions" Econometrica Vol. 55, No. 4, 1987
- Greene, Econometric Analysis 5th ed., Chapters 21.1-21.4 (Binary Choice Models), 22.1-22.4 (Limited Dependent Variables Models)

- Heckman, "Shadow Prices, Market Wages, and Labor Supply" Econometrica Vol. 42, No. 4, 1974
- Heckman, "Sample Selection Bias as a Specification Error" Econometrica Vol. 47, No. 1, 1979
- Vella "Estimating Models with Sample Selection Bias: A Survey" Journal of Human Resources Vol. 33, No. 1, 1998

Intertemporal Labor Supply

- Blundell and MaCurdy "Labor Supply: A Review of Alternative Approaches" Handbook of Labor Economics, Volume 3, 1999, pp. 1591-1607
- *Keane "Labor Supply and Taxes: A Survey" Journal of Economic Literature Vol 49, No 4, 2011.
- MaCurdy "An Empirical Model of Labor Supply in a Life Cycle Setting" Journal of Political Economy December 1981
- MaCurdy "A Simple Scheme for Estimating an Intertemporal Model of Labor Supply and Consumption in the Presence of Taxes and Uncertainty" International Economic Review Vol. 24, No. 2, 1983.
- Altonji, "Intertemporal Substitution in Labor Supply: Evidence from Micro Data" Journal of Political Economy June 1986
- *Imai and Keane, "Intertemporal Labor Supply and Human Capital Accumulation" International Economic Review Vol. 45 2004
- *Imbens, Rubin, and Sacerdote, "Estimating the Effects of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players" American Economic Review September 2001

Effect of Taxes and Transfers on Labor Supply

- Blundell and MaCurdy "Labor Supply: A Review of Alternative Approaches" Handbook of Labor Economics, Volume 3, 1999, pp. 1560-1572
- Keane "Labor Supply and Taxes: A Survey" Journal of Economic Literature Vol 49, No 4, 2011.
- Moffitt "The Econometrics of Kinked Budget Constraints" Journal of Economic Perspectives Spring 1990

- Blundell et al. "Estimating Labor Supply Responses Using Tax Reforms" Econometrica November 1998
- Moffitt "The Negative Income Tax and the Evolution of U.S. Welfare Policy" Journal of Economic Perspectives Summer 2003
- Ziliak and Kniesner "Estimating Life Cycle Labor Supply Effects" Journal of Political Economy Vol. 107, No 2. April 1999
- *Eissa and Liebman, "Labor Supply Response to the Earned Income Tax Credit" QJE May 1996
- *Chetty and Saez, "Teaching the Tax Code: Earnings Responses to an Experiment with EITC Recipients," AEJ: Applied Economics Vol. 5, 2013
- *Chetty, Friedman, and Saez, "Using Differences in Knowledge Across Neighborhoods to Uncover Impacts of the EITC on Earnings" AER Vol. 103 2013.

Human Capital and Education

- Ben-Porath "The Production of Human Capital and the Life Cycle of Earnings" Journal of Political Economy 1967
- Mincer Schooling, Experience, and Earnings 1974, Chapters 1,5
- *Willis and Rosen "Education and Self-Selection" Journal of Political Economy Vol 87, No 5, 1979.
- Heckman and Sedlacek "Heterogeneity, Aggregation, and Market Wage Functions: An Empirical Model of Self-Selection in the Labor Market" Journal of Political Economy Vol. 93, No. 6, 1985.
- *Keane and Wolpin "The Career Decisions of Young Men" Journal of Political Economy June 1997
- Keane and Wolpin "The Effect of Parental Transfers and Borrowing Constraints on Educational Attainment" International Economic Review Vol. 42 2001
- Card, "The Causal Effect of Education on Earnings" Handbook of Labor Economics Volume 3A, 1999
- Card, "Estimating the Return to Schooling: Progress on Some Persistent Econometric Problems" Econometrica September 2001
- Angrist and Krueger, "Does Compulsory Schooling Affect Schooling and Earnings?" Quarterly Journal of Economics, November, 1991

Equilibrium and the Evolution of the Wage Structure

- Katz and Murphy "Changes in Relatives Wages, 1963-1987: Supply and Demand Factors" Quarterly Journal of Economics February, 1992
- Card and DiNardo, "Skill-Biased Technological Change and Rising Wage Inequality: Some Problems and Puzzles" Journal of Labor Economics 2002
- Bound and Johnson, "Changes in the Structure of Wages during the 1980s: An Evaluation of Alternative Explanations" American Economic Review June 1992
- Heckman, Lochner and Taber, "Explaining Rising Wage Inequality: Explorations with a Dynamic General Equilibrium Model of Labor Earnings with Heterogeneous Agents" Review of Economic Dynamics 1998
- Lee and Wolpin, "Intersectoral labor mobility and the growth of the service sector" Econometrica 2006
- *Acemoglu "Technical Change, Inequality, and the Labor Market" Journal of Economics Literature 2002
- *Autor and Dorn The Growth of Low-Skill Service Jobs and the Polarization of the US Labor Market AER 2013

Economics of Immigration

- *Labor Market Effects of Migration*
- Borjas "Self-Selection and the Earnings of Immigrants" American Economic Review 1987
- Card "Immigrant Inflows, Native Outflows, and the Local Labor Market Impacts of Higher Immigration" Journal of Labor Economics 2001
- Borjas "The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market" Quarterly Journal of Economics 2003
- Card "Immigration and Inequality" American Economic Review 2009
- *Kennan and Walker "The Effect of Expected Income on Individual Migration Decisions" Econometrica Vol. 79, No. 1, 2011