Econ 630a Fall 2004
Labor Economics
Joseph G. Altonji

M, W. 2:30-3:30, Luce Hall Room 302

Note: To avoid conflicts with seminars we will always meet from 2:30-3:25 on M. and 2:30-3:55 on Wednesday. Occasionally we will go later on Wednesdays when there is no econometrics seminar.

TOPICS:

1. Education, the Family, and Human Capital. (4 weeks)
2. Labor Supply (3 weeks)
3. Market Determination of Wages and Compensating Differentials (1 week)
4. Race and Gender Differences in the Labor Market, Discrimination. (2 weeks, JA)

Fabian Lange will be covering additional topics in the Spring.

The time allocations are my best guesses, which are usually not very accurate for this course.

The reading list is not intended as general guide to the labor literature. The 5 volume Handbook of Labor Economics, with 3 new volumes in 1999, is the best source for that, and I have assigned several chapters from it. Nevertheless, there are more papers than you can read during the quarter. The starred articles are required reading for the course and must be read before the class in which we will discuss them. One of the main goals in the course is to develop your ability to critically read research papers. In a number of cases I have chosen articles with this purpose in mind rather than because of their importance in the literature. I will provide additional guidance to the reading list as the course proceeds. If you have never taken a labor economics course before I strongly recommend that you immediately read through The Economics of Work and Pay (Filer, Hamermesh, and Rees) to get the lay of the land.

I will be asking the library to place the entire Handbook series on reserve. Most of the articles are available from JSTOR or through the electronic resources available from the Yale library web page. I will be making copies of hard to get articles, which you can borrow from my assistant, Xin Yu.

There is no way that I can lecture on all of the material listed below. For some of the sections we will rely on your reading the material. For others I plan to devote a lot of time in class and will not expect you to read the articles unless you are interested. Students are required to participate actively in the class,

Course Requirements:
1. Participation in class discussion, which means that you should be reading at least some of the key articles ahead of time.
b. Prepare written notes or slides and present 2 assigned articles in class. Notes or slides can be handwritten but must be legible, and must be available for distribution in class. This presentation should cover the key elements of the article, along with some critical analysis of the article and its contribution to the literature. Articles will be chosen from the starred articles, but there is some flexibility here. I will make initial assignments on the first day of class.

c. Replicate a published empirical paper. The purpose is to give you some experience in doing empirical research and in closely reading the work of others. In some cases, the exercise will lead to a line of research for your econometrics paper or perhaps a thesis essay.

d. In class final exam. We will arrive at a contract concerning the final exam late in the semester.

Below I list the main topics and readings that I will cover in class or expect you to cover as part of the course.

1. Education and Human Capital

A. Human Capital Models of Earnings

Mincer, J., *Education, Experience, and Earnings* Chapter 1 and 2


*Card, David, The causal effect of education on earnings, handbook, Vol 3Achapter 30 (in class packet)*


Education as a Sequential Choice (Will cover later)

*Altonji, J. G., "The Demand for and Return to Education when Education Outcomes are Uncertain" *Journal of Labor Economics*, (January 1993)

B. Estimating the Returns to Education


*Card, David, The causal effect of education on earnings, handbook, Vol 3Achapter 30 (in class packet)*


*Ashenfelter, Orley and A. Krueger, AER December 1994.  (Twins paper, JSTOR)

Education as a Sequential Choice

*Altonji, J. G., "The Demand for and Return to Education when Education Outcomes are Uncertain" Journal of Labor Economics, (January 1993)


S. Cameron and James Heckman, JPE

Liquidity Constraints


Stephen V. Cameron & Christopher Taber, 2004.


C. Screening/Signalling Models of the Return to Education: Theory and Evidence


F. Lange and R. Topel, “The Social Value of Learning and Human Capital”, Handbook of Education and Human Capital, unpublished paper. (August 2004). (Section focusing on testing for signaling. The material on externalities will be covered in the Spring.)


D. Effects of Family Background, Neighborhood, and Peers on Education and Earnings

Intergenerational Correlations in Income and Education
*Gary Solon, “Intergenerational mobility in the labor market” handbook, chapter 29

*Altonji, J.G. and Thomas Dunn, "An Intergenerational Model of Wages, Hours, and Earnings", JHR 2001

Becker, A Treatise on the Family Chapter 6, 7


Goldberger, A.S. "Economic and Mechanical Models of Intergenerational Transmission", AER 79 No.3 (June 1989): 504-513. (see also Becker's reply)

Family Background, Ethnicity, and Neighborhood Effects

(Borjas has a good chapter on immigration in the Handbook.)

*Borjas, George, "Ethnicity, Neighborhoods, and Human-Capital Externalities" (AER, 1994)


*L.F. Katz, J. Kling, and J. Liebman, QJE article on Moving to Opportunity

**E. The Effects of the Type of Education on Earnings**


The Determinants and Consequences of Primary and Secondary School Quality


Studies of School Quality Using School District Administrative Data


Private Schools


**2. CONSUMPTION, LABOR SUPPLY AND HOURS DETERMINATION**

A.1 Trends and Cross Section Differences in weekly hours and labor force participation.


**Labor Supply and Labor Force Participation, Introduction to Selection Bias**


**B. Labor Supply, Taxes, and Nonlinear Budget Constraints.**


**The Static Model: Evidence**

Blundell and MaCurdy


C. Life Cycle Models of Consumption and Labor Supply with Exogenous Wage Rates

Killingsworth, M. Labor Supply, Chapter 5, 6.1, 6.6.

*Blundell and MaCurdy, (rest of paper)


*Myles Kimball and Matthew Shapiro, "Labor Supply: Are the Income and Substitution Effects Both Large or Both Small?" unpublished paper


Retirement Behavior and an Introduction to Empirical Dynamic Optimization Models

R. Lumsdaine and O. Mitchell, “new developments in the economic analysis of retirement”, handbook Vol. 3C, chapter 49. (this paper has extensive references)


Wolpin, Kenneth and Zvi Eckstein, *The Journal of Human Resources* (survey on dynamic discrete choice models)

D. Labor Supply, Hours Constraints, and Hours Determination


E. Labor Supply and the Business Cycle

I am still looking for a recent discussion of this. I am not sure how much time we will spend here.


II. Labor Supply, Fertility, and the Theory of the Household (Skipped this quarter)

3. A. Market Clearing Models: implicit markets, hedonic functions, compensating wage differentials, and comparative advantage


**B. Nonmarket clearing models (Efficiency Wage Models).**

*Lawrence Katz, "Efficiency Wage Theories: A partial Evaluation", in NBER Macroeconomics Annual 1986, 236-275.  Also read the comment by Altonji

Weiss, Andrew (1988) "Efficiency Wage Models of Unemployment".


**5. Race and Gender in the Labor Market**


Becker, G., *The Economics of Discrimination*


*Neal and Johnson, ““The role of premarket factors in black-white wage differences”, JPE 104 (5) (1996):869-895: (JSTOR)

Goldin, Claudia, *Understanding the Gender Gap* Oxford University
Emiko Usui, “Wages, Non-Wage Characteristics and Predominantly Female Jobs”, unpublished paper (see class server)


Killingsworth, Mark Comparable Worth (Upjohn Institute)

Ronald Ehrenberg, “Econometric Analyses of the Empirical Consequences of Comparable Worth: What have we learned?”


Derek Neal, “Has Black-White Skill Convergence Stopped” ( on class server as draft-hbk.pdf)


_______ "New Evidence on Sex Segregation and Sex Differences in Wages from Matched Employee-Employer Data," *Journal of Labor Economics*, forthcoming
