

## Economics 607 GRADUATE LABOR ECONOMICS

Mondays and Wednesdays, Noon-1:50pm  
PLC 412

### CONTACT INFORMATION

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*Office Hours:* 10:00-11:00am Mondays and Wednesdays (and by appointment)  
*Course Website:* On Blackboard

### COURSE DESCRIPTION

This course has several goals. The first is to develop a solid understanding of the literature in several important areas of study in labor economics. The second is to become comfortable with a variety of empirical approaches commonly used by labor economists. Both of these aim at the more important goal of preparing you to conduct original research.

### READINGS

The required readings (denoted by a \*) are listed below under each topic. However, the following are good references for those engaged in empirical research.

Angrist, Joshua and Alan Krueger (1999), "Empirical Strategies in Labor Economics," in *Handbook of Labor Economics*, Volume 3A, North-Holland, Chapter 23.

Angrist, Joshua and Jörn-Steffen Pischke (2008), *Mostly Harmless Econometrics: An Empiricists Companion*, Princeton University Press.

Cameron, A. Colin and Pravin K. Trivedi (2005), *Microeconometrics: Methods and Applications*, New York: Cambridge University Press.

Cook, Thomas D. and Donald T. Campbell (1979), *Quasi-Experimentation: Design and Analysis Issues for Field Settings*, Chicago: Rand McNally.

### COURSE REQUIREMENTS AND GRADING

#### *Distribution of Points:*

30%	Class Participation (and Quizzes)
15%	Referee Report
45%	Replication Projects
10%	Presentation of a Paper

### *Class Participation (and Quizzes)*

Your class participation grade will depend primarily on reading assigned articles before coming to class and bringing your insights to the class discussion. In addition, at the beginning of class I will usually ask you to provide a short response to a question aimed at verifying that you have done the reading. If you miss a class, it is your responsibility to see me to work out an alternative to get make-up credit.

### *Referee Report*

The second requirement for this course is to write a referee report. A referee report is an anonymous critique of a paper written at the request of a journal editor. It is intended to help the editor decide whether or not to pursue publication of the paper but it is also provided to the author.

As a referee, one also writes a letter to the editor to accompany the referee report. This letter is not shared with the author. It is in this letter in which a referee a referee makes a recommendation (reject, request a revision, accept subject to revisions, accept) along with other comments that might be better left out of the referee report. This letter is not required for this assignment.

A typical referee report is 2-4 pages (single-spaced). It should begin with 1-3 paragraphs summarizing the paper and putting it into context. The rest of the report should be a critical analysis (which may be a list of comments or in paragraph form). Comments typically address a paper's weaknesses and, when possible, provide suggestions on how the author might improve the paper. Some common examples are: is the empirical analysis a convincing way of answering the author's research question? Is the identification strategy valid? Are the results interpreted correctly? Has the author provided alternative explanations for the results? Is there anything the author could do to get at the underlying mechanisms behind the main results? How big of a concern is external validity? Are there any robustness checks the author could do to make the paper more convincing? Is there a relevant literature that the author should be discussing but does not? Is the paper well organized and clear?

Early in the course, I will distribute a list of papers for you to choose from. I will also provide a handful of sample referee reports to give you a better sense of what one should look like. Please work on your report independently.

### *Replication Projects*

Throughout the quarter, you will replicate three empirical papers. First, you will replicate Krueger's (1999) analysis of the effect of class size on academic achievement. Second, you will extend Angrist and Evans (1998) to study the effects of family size based on more recent data. Third, you will replicate Almond, Doyle, Kowalski, and Williams' (2010) analysis of the effect of very low birth weight classification. The details of these assignments will be provided separately.

## IMPORTANT DATES

<i>Problem Set 1 Due:</i>	Monday, Oct. 11
<i>Problem Set 2 Due:</i>	Wednesday, Oct. 27
<i>Problem Set 3 Due:</i>	8pm Friday, Nov. 12 (email)
<i>Referee Report Due:</i>	Monday, Nov. 22
<i>Paper Presentations:</i>	Nov. 29 and Dec. 1 + TBA

## COURSE OUTLINE

### **Introduction, Why Good Research is Difficult, Idea Generation**

\* Freedman, David (1991). "Statistical Models and Shoe Leather," *Sociological Methodology* 21: 291-313.

\* DiNardo, John and Jorn-Steffen Pischke (1997). "Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?" *Quarterly Journal of Economics* 112(1): 291-303.

Lalonde, Robert (1986). "Evaluating Econometric Evaluations of Training Programs with Experimental Data," *American Economic Review* 76(4): 604-620.

Angrist and Pischke (2008), Chapter 1.

### **Causal Inference, Crash Course on Empirical Methods**

\* Angrist, Joshua and Alan Krueger (1999). "Empirical Strategies in Labor Economics," in *Handbook of Labor Economics*, Volume 3A, North-Holland, Chapter 23. Sections 1 and 2.

\* Imbens, Guido and Thomas Lemieux (2008). "Regression Discontinuity Designs: A Guide To Practice." *Journal of Econometrics* 142 (2): 615-635.

Meyer, Bruce (1995). "Natural and Quasi-Experiments in Economics," *Journal of Business and Economic Statistics* 13(2): 151-161.

Bertrand, Marianne, Esther Duflo, and Sendhil Mullainathan (2004). "How Much Should We Trust Differences-in-Differences Estimates." *Quarterly Journal of Economics*.

### **Labor Supply**

Oettinger, Gerald (1999). "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors," *Journal of Political Economy* 107(2): 360-392.

Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler (1997). "Labor Supply of New York City Cabdrivers: One Day at a Time," *Quarterly Journal of Economics* 112(2): 407-441.

\*Farber, Henry (2005). "Is Tomorrow Another Day? The Labor Supply of New York City Cab Drivers," *Journal of Political Economy* 113(1): 46-82.

## Retirement

\* Krueger, Alan B. and Jorn-Steffen Pischke (1992). "The Effect of Social Security on Labor Supply: A Cohort Analysis of the Notch Generation," *Journal of Labor Economics* 10(4): 412-437.

Engelhardt, Gary, Jonathan Gruber, and Cynthia Perry (2005). "Social Security and Elderly Living Arrangements," *Journal of Human Resources*.

Stock, James H. and David A. Wise (1990). "Pensions, The Option Value of Work, And Retirement," *Econometrica* 58(5): 1151-1180.

Lumsdaine, Robin and Olivia Mitchell (1999). "New Developments in the Economic Analysis of Retirement," Chapter 49 in *The Handbook of Labor Economics*, Volume 3A, Amsterdam: Elsevier.

## Immigration

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

Angrist, Joshua and Alan Krueger (1999), "Empirical Strategies in Labor Economics," in *Handbook of Labor Economics*, Volume 3A, North-Holland, Chapter 23. [See section on the boatlift that didn't happen.]

\* Borjas, George (2003). "The Labor Demand Curve Is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market," *Quarterly Journal of Economics*.

Friedberg, Rachel M. (2001). "The Impact of Mass Migration on the Israeli Labor Market," *Quarterly Journal of Economics* 116(4): 1373-1408.

## Minimum Wages

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

Neumark, David, and William Wascher (2000). "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania: Comment" *American Economic Review* 90(5): 1362-1396.

Card, David, and Alan Krueger (1994). "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania," *American Economic Review* 90(5): 1397-1420.

Brown, Charles (1999). "Minimum Wages, Employment and the Distribution of Income," Chapter 32 in *The Handbook of Labor Economics*, Volume 3B, Amsterdam: Elsevier.

Singell, Larry and James R. Terborg (2007). "Employment Effects of Two Northwest Minimum Wage Initiatives," *Economic Inquiry* 45(1): 40-55.

### **Education: Returns**

\* Angrist, Joshua and Alan Krueger (1991). "Does Compulsory Schooling Attendance Affect Schooling and Earnings?" *Quarterly Journal of Economics* 106(4): 979-1014.

Bound, John, David A. Jaeger, and Regina M. Baker (1995). "Problems with Instrumental Variables Estimation when the Correlation between the Instrument and the Endogenous Explanatory Variable is Weak," *Journal of the American Statistical Association* 90(430): 443-550. [This paper re-evaluates Angrist and Krueger (1991).]

Staiger, Douglas and James H. Stock (1997). "Instrumental Variables With Weak Instruments," *Econometrica* 65(3): 557-586. [Another paper re-evaluating Angrist and Krueger (1991).]

Card, David (1999). "The Causal Effect of Education on Earnings," Chapter 30 in *The Handbook of Labor Economics*, Volume 3A, Amsterdam: Elsevier.

Royer, Heather and Justin McCrary (forthcoming). "The Effect of Maternal Education on Fertility and Infant Health: Evidence from School Entry Policies Using Exact Date of Birth," *American Economic Review*.

Currie, Janet and Enrico Moretti (2003). "Mother's Education and the Intergenerational Transmission of Human Capital: Evidence from College Openings," *Quarterly Journal of Economics* 114(4).

### **Education: Signaling**

\* Tyler, John, Richard J. Murnane and John Willett (2002). "Estimating the Labor Market Signaling Value of the GED," *Quarterly Journal of Economics* 115(2): 431-468.

Spence, Michael (1973). "Job Market Signaling," *Quarterly Journal of Economics* 87(3): 355-374.

Jaeger, David and Marianne Page (1996). "Degrees Matter: New Evidence on Sheepskin Effects in the Returns to Education," *Review of Economics and Statistics* 78: 733-739.

### **Education: School Quality**

\* Krueger, Alan (1999). "Experimental Estimates of Education Production Functions," *Quarterly Journal of Economics* 114(2): 497-532.

\* Chetty, Raj, John Friedman, Nathaniel Hilger, Emmanuel Saez, Diane Whitmore Schanzenbach, and Danny Yagan (2010). "How Does Your Kindergarten Classroom Affect Your Earnings? Evidence From Project STAR." *NBER Working Paper No. 16381*.

Rivkin, Steven G., Eric A. Hanushek, and John F. Kain (2005). "Teachers, Schools, and Academic Achievement," *Econometrica* 73(2): 417-458.

Card, David and Alan Krueger (1992). "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States," *Journal of Political Economy* 100: 1-40.

Angrist, Josh and Victor Lavy (1999). "Using Maimonides' Rule to Estimate the Effect of Class Size on Scholastic Achievement," *Quarterly Journal of Economics* 114(2): 497-532.

Rockoff, Jonah (2009). "Field Experiments in Classroom Size From the Early Twentieth Century," *Journal of Economic Perspectives* 23(4): 211-230.

### **Higher Education**

Stinebrickner, Todd and Ralph Stinebrickner (2008). "The Effect of Credit Constraints on the College Drop-Out Decision: A Direct Approach Using a New Panel Study," *American Economic Review*.

Lindo, Jason, Nicholas Sanders, and Philip Oreopoulos (2010). "Ability, Gender, and Performance Standards: Evidence from Academic Probation," *American Economic Journal: Applied Economics*.

Jacob, Brian and Lars Lefgren (2004). "Remedial Education and Student Achievement: A Regression-Discontinuity Analysis," *Review of Economics and Statistics* 86(1): 226-244.

Carrell, Scott, Marianne Page, and James West (2010). "Sex and Science: How Professor Gender Perpetuates the Gender Gap," *Quarterly Journal of Economics*.

### **Discrimination**

\* Bertrand, Marianne and Sendhil Mullainathan (2004). "Are Emily and Greg More Employable than Lakisha and Jamal? A field Experiment on Labor Market Discrimination," *American Economic Review* 94(4): 991-1013.

Neal, Derek (2004). "The Measured Black-White Wage Gap Among Women is Too Small," *Journal of Political Economy* 104: 869-895.

Goldin, Claudia and Cecilia Rouse (2000). "Orchestrating Impartiality: The Impact of Blind Auditions on Female Musicians," *American Economic Review* 90(4): 715-741.

### **Consequences of Job Displacement**

\* Jacobsen, Louis, Robert LaLonde, and Daniel Sullivan (1993). "Earnings Losses of Displaced Workers," *American Economic Review* 83: 685-709.

Stevens, Ann Huff (1997). "Persistent Effects of Job Displacement: The Importance of Multiple Job Losses," *Journal of Labor Economics* 15(1): 165-188.

Oreopoulos, Philip, Marianne Page, and Ann Huff Stevens (2008). "The Intergenerational Effects of Worker Displacement," *Journal of Labor Economics* 26(3): 455-483.

Sullivan, Daniel and Till von Wachter (2009). "Job Displacement and Mortality: An Analysis Using Administrative Data," *Quarterly Journal of Economics* 124(3): 1265-1306.

## Health

\* Dehejia, Rajeev and Adriana Lleras-Muney (2004). "Booms, Busts, and Babies' Health," *Quarterly Journal of Economics* 119(2): 1091-1130.

Chandra, Amitabh and Douglas Staiger (2008). "Identifying Provider Prejudice in Health Care," unpublished manuscript.

Currie, Janet and Matthew Neidell (2005). "Air Pollution and Infant Health: What Can We Learn from California's Recent Experience?" *Quarterly Journal of Economics*.

Ruhm, Christopher (2000). "Are Recessions Good for Your Health?" *Quarterly Journal of Economics* 112(2): 617-650.

## Intergenerational Mobility

Lee, Chul-In and Gary Solon (2009). "Trends in Intergenerational Income Mobility," *Review of Economics and Statistics* 91(4): 766-772.

Solon, Gary (1992). "Intergenerational Income Mobility in the United States," *American Economic Review* 82(3): 393-408.

\* Sacerdote, Bruce (2007). "How Large Are the Effects From Changes in Family Environment? A Study of Korean American Adoptees," *Quarterly Journal of Economics*.

Oreopoulos, Philip, Marianne Page, and Ann Huff Stevens (2008). "The Intergenerational Effects of Worker Displacement," *Journal of Labor Economics* 26(3): 455-483.

Black, Sandra, Paul Devereux, and Kjell Salvanes (2005). "Why the Apple Doesn't Fall Far: Understanding the Intergenerational Transmission of Education," *American Economic Review*.

## Crime

Doyle, Joe (2008). "Child Protection and Adult Crime: Using Investigator Assignment to Estimate Causal Effects of Foster Care." *Journal of Political Economy*.

Lindo, Jason and Charles Stoecker (2010). "Drawn Into Violence: Evidence on 'What Makes a Criminal' from the Vietnam Draft Lotteries." IZA Discussion Paper No. 5172.

Kling, J.R., J. Ludwig, and L.F. Katz (2005). "Neighborhood Effects on Crime for Female and Male Youth: Evidence from a Randomized Housing Voucher Experiment." *Quarterly Journal of Economics*.

## Neighborhoods

Katz, Lawrence F., Jeffrey R. Kling and Jeffrey B. Liebman (2001). "Moving to Opportunity In Boston: Early Results of a Randomized Mobility Experiment," *Quarterly Journal of Economics* 116(2): 607-654.

Jacob, Brian (2004). "Public Housing, Housing Vouchers, and Student Achievement: Evidence from Public Housing Demolitions in Chicago," *American Economic Review* 94(1): 233-258.

Oreopoulos, Philip (2003). "The Long-run Consequences of Growing Up in a Poor Neighborhood," *Quarterly Journal of Economics* 118(4): 1533-1575.

## Economics of the Family

Lindo, Jason (2010). "Are Children Really Inferior Goods? Evidence from Displacement-driven Income Shocks," *Journal of Human Resources*.

Stevenson, Betsey and Justin Wolfers (2006). "Bargaining in the Shadow of the Law: Divorce Laws and Family Distress," *Quarterly Journal of Economics* 121: 267-88.

Goldin, Claudia and Lawrence Katz (2002) "The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions," *Journal of Political Economy* 110: 730-770.

Black, Sandra, Paul Devereux, and Kjell Salvanes (2005). "The More the Merrier? The Effect of Family Size and Birth Order on Children's Education," *Quarterly Journal of Economics*.

Gruber, Jonathan, Philip Levine, and Douglas Staiger (1999). "Abortion Legalization and Child Living Circumstances: Who is the Marginal Child?" *Quarterly Journal of Economics* 114(1): 263-292.

## Inequality

Autor, David H., Lawrence F. Katz, and Melissa S. Kearney (2008). "Trends in U.S. Wage Inequality: Revising the Revisionists," *The Review of Economics and Statistics* 90(2): 300-323.