LABOR ECONOMICS II 2018-2019

Fall 2018

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The course is in two parts and offers an overview of two approaches to labor market analysis. The first part covers search and matching models with (mainly) a macroeconomic perspective. The first part relies on some numerical simulations and knowledge of Python in the way used for the *Numerical Economics Course* is useful.

Labor economics has been an important discipline in terms of applying and developing empirical techniques. As a result, the second part of the course is going to focus on these empirical methods and their application to the major topics studied by labor economists.

Class:
Monday: 16-19. Room 31
Tuesday: 16-18. Room 31

First Part.

There are two textbook references for the first part:

Pissarides C.A. (2000) Equilibrium Unemployment Theory, MIT Press. Hereafter P2000
Petrosky Nadeau Wasmer (2017) The Macroeconomic of Hereafter PNW2017

1.**The basic labor market**,
PNW2017, Chapter 1
Pissarides, 1985, Short Run equilibrium dynamics of unemployment, vacancies, and real wages, *American Economic Review*, 75(4): 676-90
Mortensen D.T. and Pissarides, C.A. (1994) Job creation and destruction in the theory of unemployment, *The Review of Economic Studies*, 61(3): 397-415

2. **Efficiency and Competitive Search**
PNW2017, Chapter 3
Moen, 1997 Competitive Search Equilibrium *Journal of Political Economy* 105(2):385-411
Benoit Julien, Kircher Philippe, Wright Randy and Veroniace GUerrieri (2018) *Directed Search: A Guided Tour*, unpublished.

3. **Business Cycle Properties**
PNW2017, Chapter 2
Shimer (2005) The cyclical behavior of equilibrium unemployment and vacancies, *American Economic Review*, 95(1): 25-49.
Ljungkvist Lars and Sargent T. (2017) The Fundamental Surplus, *American Economic Review*, 2017, 107(9): 2630/2665

4. **Credit and labor market frictions**

PNW2017, Chapter 5 and 6
Boeri Garibaldi Moen (2018) Mortensen and Pissarides meet Holmstrom and Tirole, Labour Economics, 2018.

5. **Temporary Contracts and Duality**
Garibaldi, P. Violante, G.L. (2005)
Garibaldi Berton (2012)
Cahuc, Pierre, Olivier Charlot and Franck Malherbet Explaining the Spread of Temporary Jobs and its Impact on labor turnover, *International Economic Review*, vol 57(2), pp533-572, May 2016.
Boeri Garibaldi Moen (2017) Inside Severance Pay, *Journal of Public Economics*

Second Part.

There are two textbook references for the second part:

J.D. Angrist and J.S. Pischke, Mostly Harmless Econometrics: An Empiricist's Companion, Princeton University Press, 2009. Hereafter MHE.

D. Acemoglu and D. Autor, Lectures in Labor Economics, chapters 1-2 and 8-9. Hereafter LLE.

1. Returns to Schooling – Regression Control and Measurement Error
MHE, sections 3.1 and 3.2
Griliches, Z., "Estimating the Returns to Schooling - Some Econometric Problems," *Econometrica,* vol. 45, January 1977, 1-22
Z. Pei, J.S. Pischke and H. Schwandt, "Poorly Measured Confounders are More Useful on the Left Than on the Right," NBER Working Paper 18384, May 2017

2. Returns to Schooling – Instrumental Variables
MHE, sections 4.1, 4.4, 4.5, 4.6.4
D. Card, "The Causal Effect of Education on Earnings," in *The Handbook of Labor Economics*, volume IIIA, chapter 30.
Angrist, J.D. and A. Krueger, "Does Compulsory Schooling Attendance Affect Schooling and Earnings?," *Quarterly Journal of Economics,* vol. CVI, November 1991, 979-1014.

3. Returns to Schooling – Fixed Effects
MHE, section 5.1
O. Ashenfelter and A.B. Krueger, "Estimates of the Economic Return to Schooling from a New Sample of Twins," *American Economic Review*, Vol. 84, December 1994, 1157-1173.

4. Compulsory Schooling Laws – Differences in Differences
MHE, section 5.2
D. Acemoglu and J.D. Angrist, "How Large Are Human-Capital Externalities? Evidence from Compulsory Schooling Laws," *NBER Macroeconomics Annual*, Vol.15, 2000, 9-59.

5. School Resources – Experiments
MHE chapter 2

A. B. Krueger “Experimental Estimates of Education Production Functions,” *Quarterly Journal of Economics*, Vol. 114, May 1999, 497-532.

6. Signalling and School Resources – Regression Discontinuity Design

MHE chapter 6

J. Angrist and V. Lavy, “Using Maimonides' Rule to Estimate The Effect of Class Size on Scholastic Achievement,” *Quarterly Journal of Economics*, Vol. 114, May 1999, 533-575.

7. On-the-job training

G. Becker, *Human Capital*, 3rd Edition, Chicago: University of Chicago Press, 1993, section III.1

D. Acemoglu, J.S. Pischke, “The Structure of Wages and Investment in General Training,” *Journal of Political Economy*, vol. 107, June 1999, 539-572.

8. Government Training Programs

MHE, section 3.3

R.J. Lalonde, “Evaluating the Econometric Evaluations of Training Programs with Experimental Data.” *American Economic Review*, vol. 76, 1986, 604-620.

G. Burtless, “The Case for Randomized Field Trials in Economic and Policy Research,” *Journal of Economic Perspectives*, 63-84.

J.J. Heckman and J.A. Smith, “Assessing the Case for Social Experiments,” *Journal of Economic Perspectives*, Vol. 9, 1995, 85-110.

R. Dehejia and S. Wahba, “Causal Effects in Non-Experimental Studies: Re-Evaluating the Evaluation of Training Programs,” *Journal of the American Statistical Association*, Vol. 94, December 1999, 1053-1062.