

ECONOMICS 735-01: LABOR ECONOMICS
UNIVERSITY OF NORTH CAROLINA AT GREENSBORO
FALL 2009

Instructor:

Prof. David Ribar
Office: 459 Bryan Building
E-mail: dcribar@uncg.edu
Phone: 336 334-3904

Class meetings:

W 3:00-5:30 p.m., 456 Bryan Bldg.

Office hours:

W 11 a.m. – 12 p.m. and by
appointment

Description: Economics 735 is a three-credit graduate survey of labor economics. The course focuses on microeconomic models of labor supply, household decision-making, human capital, job search, and labor demand. The course emphasizes applied work and econometric methodology.

Student Learning Outcomes: On completion of this course students will have:

- learned several conceptual models that form the foundation of micro labor economics;
- learned how advanced econometrics inform and are informed by the study of labor economics, and
- conducted an independent research project.

Texts: There is no specific, required text for the course. There are a number of undergraduate texts that cover the material at an introductory level and provide helpful institutional background. Foreign students and students who have not completed a previous labor economics course are encouraged to purchase or borrow an undergraduate text. Recent textbooks include (earlier editions of any of these books would be okay):

Borjas, George J. *Labor Economics*, 5th edition. New York: McGraw-Hill, 2009.

Ehrenberg, Ronald G. and Robert S. Smith. *Modern Labor Economics: Theory and Public Policy*, 9th edition. Boston: Addison Wesley, 2005.

Hotchkiss, Julie L. and Bruce E. Kaufman. *The Economics of Labor Markets* 7th edition. Thompson, 2006.

McConnell, Campbell R., Stanley L. Brue and David Macpherson. *Contemporary Labor Economics*, 8th edition. New York: McGraw-Hill/Irwin. 2007.

Instead of a formal text, book chapters, journal articles, and working papers will be assigned throughout the semester. In the reading list that follows, required articles are marked with a dot (•). Copies of all of these readings are available in my office and may be checked out by students. Where possible, I have also tried to incorporate articles that are available on-line into the course.

Requirements: Students are required to attend and participate in once-a-week seminar-type meetings over a semester. Starting with the second class, students are expected to complete

homework and reading assignments *before* each meeting, to prepare questions and comments about the assignments, and to contribute to discussions.

A paper (~15 pages), a paper presentation, a mid-term examination, and a final take-home examination will be used to assess students' comprehension of the course material. The paper may take the form of a literature review, an original theoretical model, a replicative empirical piece, and/or an original empirical piece. To encourage writing as a process and to provide interim feedback, elements of the paper will be due and graded in stages. A 1-2 page document with an abstract, proposed outline, and preliminary bibliography of the paper is due the seventh week of the semester (October 7). A complete initial draft of the paper is due November 30. A 15-minute presentation will be made during the last class of the term (December 2). Comments will be provided on the draft during the presentation. The final version of the paper is due a week and a half later (December 11). A take-home final examination will also be given out during the last class of the term and will be due on December 11. Arrangements to reschedule the examination and paper due dates must be made with the instructor prior to the scheduled dates. The following weights will be applied in determining the final grade:

Paper	50 %
Abstract	5 %
First draft	5 %
Presentation	5 %
Final draft	35 %
Mid-term examination	20 %
Final examination	30 %

In addition to these responsibilities, students are expected to conform to the University's Student Code of Conduct (<http://studentconduct.uncg.edu/>) and the Bryan School's Student Guidelines (http://www.uncg.edu/bae/faculty_student_guidelines.pdf).

Research Integrity: Students are expected to be familiar with and abide by the University's Academic Integrity policy (see <http://academicintegrity.uncg.edu/>). Although all aspects of the policy are relevant, students should review the policies regarding plagiarism and falsification. A researcher's career depends on his/her honesty and integrity. I will seek the most severe punishments possible, including expulsion from the graduate program, for any violations of the Academic Integrity policy. Students may not collaborate on the research project or the take-home exams. If students have a question about whether some type of collaboration is permissible, they should ask the instructor first.

Office Hours: Scheduled office hours are Wednesdays 11 a.m.-12 p.m. If you would like to meet outside of the scheduled office hours, please call or e-mail to set up an appointment.

Tentative Course Outline

August 26 Review of the Simple, Static Labor Supply Model

Killingsworth, M. *Labor Supply*, New York: Cambridge University Press, 1983, chapters 1 and 2.

Blundell, Richard, and Thomas Macurdy. "Labor Supply: a Review of Alternative Approaches," in *Handbook of Labor Economics* Vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

Deaton, A., and J. Muelbauer. *Economics and Consumer Behavior*. New York: Cambridge University Press, 1980.

Killingsworth, Mark, and James Heckman. "Female Labor Supply: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Pencavel, John. "Labor Supply of Men: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

September 2 Labor Force Trends and Basic Empirical Considerations

- Blundell, Richard, and Thomas Macurdy. "Labor Supply: a Review of Alternative Approaches," in *Handbook of Labor Economics* Vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.
- Moffitt, Robert A. "New Developments in Econometric Methods for Labor Market Analysis," in *Handbook of Labor Economics* Vol. 3A ed. by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

Angrist, Joshua, and Alan B. Krueger. "Empirical Strategies in Labor Economics," in *Handbook of Labor Economics* Vol. 3A ed. by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999

Greene, W. H. *Econometric Analysis*, 5th ed. Upper Saddle River, NJ: Prentice Hall, 2003, chapters 21 and 22.

Hamermesh, D.S. "The Craft of Laborometrics," *Industrial and Labor Relations Review* 53:3 (April 2000), 363-80.

Killingsworth, M. *Labor Supply*. New York: Cambridge University Press, 1983, chapters 3 and 4.

Killingsworth, Mark, and James Heckman. "Female Labor Supply: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Mroz, Thomas. "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions," *Econometrica*, 55:4 (July 1987), 765-99.

Pencavel, John. "Labor Supply of Men: A Survey," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

September 9 Taxes, Transfers and Nonlinear Budget Constraints

- Blank, R. "Evaluating Welfare Reform in the United States," *Journal of Economic Literature*, 40:4 (December 2002), 1105-66.
- Blundell, R. and T. MaCurdy. "Labor Supply: a Review of Alternative Approaches," in *Handbook of Labor Economics*, vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North-Holland, 1999.

Danziger, S.; R. Haveman, and R. Plotnick. "How Income Transfers Affect Work, Savings, and the Income Distribution," *Journal of Economic Literature*, 19 (1981), 975-1028.

Hausman, J. "Labor Supply" in *How Taxes Affect Economic Behavior*, ed. by H. Aaron and J. Pechman, Washington: Brookings Institute, 1981.

Keane, M. and R. Moffitt. "A Structural Model of Multiple Welfare Program Participation and Labor Supply," *International Economic Review* 39:3 (August 1998), 553-89.

Moffitt, R. "The Econometrics of Piecewise-Linear Budget Constraints: A Survey and Exposition of the Maximum Likelihood Method," *Journal of Business and Economic Statistics*, 4 (July 1986), 317-28.

Moffitt, R. "Incentive Effects of the U.S. Welfare System: A Review," *Journal of Economic Literature*, 30:1 (March 1992), 1-61.

September 16 Household Production and Time Use

- Becker, G. "A Theory of the Allocation of Time," *Economic Journal*, 75 (September 1965), 493-517.

Aguiar, M., and E. Hurst. "Measuring the Trends in Leisure: The Allocation of Time over Five Decades," *Quarterly Journal of Economics* 122:3 (2007), 969-1006.

Bianchi, S.M. "Maternal Employment and Time with Children: Dramatic Change or Surprising Continuity?" *Demography* 37:4 (November 2000), 401-14.

Bianchi, S.M., M.A. Milkie, L.C. Sayer and J.P. Robinson. "Is Anyone Doing the Housework? Trends in the Gender Distribution of Household Labor," *Social Forces* 79 (September 2000), 191-228.

Gronau, R. "Leisure, Home Production, and Work—the Theory of the Allocation of Time Revisited," *Journal of Political Economy* 29:6 (December 1977), 1099-123.

Gronau, R. "Home Production - A Survey," in *Handbook of Labor Economics*, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Grossman, Michael. "On the Concept of Health Capital and the Demand for Health," *Journal of Political Economy*, 80 (March/April 1972), 223-55.

Hamermesh, D.S. "The Timing of Work over Time." *Economic Journal* 109:542 (1999): 37-66.

Hamermesh, D.S. and J.E. Biddle. "Sleep and the Allocation of Time," *Journal of Political Economy* 98:5 Part 1 (October 1990), 922-43.

Juster, F. T. and F. P. Stafford. "The Allocation of Time: Empirical Findings, Behavioral Models, and Problems of Measurement," *Journal of Economic Literature*, 29 (June 1991), 471-522.

Kalenkoski, C.M., D.C. Ribar, and L.S. Stratton. "How Do Adolescents *Spell* Time Use?" Unpublished manuscript, 2009.

Pollak, R.A. and M.L. Wachter. "The Relevance of the Household Production Function and Its Implications for the Allocation of Time," *Journal of Political Economy* 83:2 (April 1975), 255-78.

September 23 Models of Marriage and Family Decisionmaking

- Bergstrom, T. C. "Economics in a Family Way," *Journal of Economic Literature* 34 (December 1996) 1903-34.
- Montgomery, M. and J. Trussell. "Models of Marital Status and Childbearing," in *Handbook of Labor Economics*, vol. 1, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Becker, G. S. *A Treatise on the Family*. Cambridge: Harvard University Press (1981), chapters 3 and 4.

Behrman, Jere. "Intrahousehold Distribution and the Family," in *Handbook of Population and Family Economics*, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Bergstrom, Theodore. "A Survey of Theories of the Family," in *Handbook of Population and Family Economics*, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Binmore, K. "Bargaining and Coalitions," in *Game-Theoretic Models of Bargaining*, edited by A. Roth. New York: Cambridge University Press, 1984, pp. 259-304.

Chiappori, Pierre-Andre. "Rational Household Labor Supply," *Econometrica* 56 (1988), 63-89.

Chiappori, Pierre-Andre. "Collective Labor Supply and Welfare," *Journal of Political Economy* 100 (1992), 437-67.

Hotz, V. Joseph, Jacob Klerman and Robert Willis. "The Economics of Fertility in Developed Countries," in *Handbook of Population and Family Economics*, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Lundberg, S. and R. Pollak, "Separate Spheres Bargaining and the Marriage Market," *Journal of Political Economy* 101:6 (1993), 988-1010.

Lundberg, S. and R. Pollak, "Noncooperative Bargaining Models of Marriage," *American Economic Review--Proceedings* 84:2 (1994), 132-7.

Manser, M. and M. Brown. "Marriage and Household Decision-making: A Bargaining Analysis," *International Economic Review* 22 (1980), 31-44.

Lundberg, S. and R. Pollak, "The American Family and Family Economics," *Journal of Economic Perspectives* 21:2 (Spring 2007), 3-26.

McElroy, M. B. and M. J. Horney. "Nash Bargained Household Decisions: Toward a Generalization of the Theory of Demand," *International Economic Review*, 22 (1981), 333-49.

Rubinstein, A. "Perfect Equilibrium in a Bargaining Model," *Econometrica* 50 (1982), 97-109.

Weiss, Yoram. "The Formation and Dissolution of Families: Why Marry? Who Marries Whom? And What Happens Upon Divorce," in *Handbook of Population and Family*

Economics, vol 1A, edited by M. Rosenzweig and O. Stark. Amsterdam: North Holland, 1997.

Woolley, F. "A Non-cooperative Model of Family Decision Making." LSE mimeo (1988).

September 30 Life Cycle Labor Supply

- Blundell, R. and T. MaCurdy. "Labor Supply: a Review of Alternative Approaches," in *Handbook of Labor Economics*, vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North-Holland, 1999.
- MaCurdy, T. "An Empirical Model of Labor Supply in A Life Cycle Setting," *Journal of Political Economy* 89 (December 1981), 1059-86.

Browning, M.; A. Deaton, and M. Irish. "A Profitable Approach to Labour Supply and Commodity Demands over the Life Cycle," *Econometrica* 53 (May 1985), 503-44.

Eckstein, Z., and K. Wolpin. "Dynamic Labour Force Participation of Married Women and Endogenous Work Experience," *Review of Economic Studies* 56 (1989).

Heckman, J. J. and T. MaCurdy. "A Life Cycle Model of Female Labour Supply," *Review of Economic Studies* 47 (January 1980), 47-74.

Hotz, V. J.; F. E. Kydland, and G. Sedlacek. "Intertemporal Preferences and Labor Supply," *Econometrica* 56 (1988), 335-60.

Killingsworth, M., and J. Heckman. "Female Labor Supply: A Survey," in *Handbook of Labor Economics*, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Pencavel, J. "Labor Supply of Men: A Survey," in *Handbook of Labor Economics*, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

October 7 Human Capital – Schooling

- Becker, G. *Human Capital*, 3rd ed., New York: Columbia University Press, Part I.
- Card, David. "The Causal Effect of Education on Earnings," in *Handbook of Labor Economics* Vol. 3A ed. by O. Ashenfelter and D. Card (Amsterdam: North Holland, 1999).

Altonji, J. "The Demand for and Return to Education When Education Outcomes are Uncertain," *Journal of Labor Economics* 11:1 part 1 (1993), 48-83.

Cameron, S. and J. J. Heckman. "The Nonequivalence of High School Equivalent," *Journal of Labor Economics* 11 (1993), 1-47.

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

Griliches, Z. "Sibling Models and Data in Econometrics: Beginnings of a Survey," *Journal of Political Economy* 87 (1979), S37-S64.

Heckman, J.J., L.J. Lochner and P.E. Todd. "Earnings Functions, Rates of Return and Treatment Effects: The Mincer Equation and Beyond," Discussion paper no. 1700. Bonn: IZA, August 2005.

Mincer, J. and S. Polachek. "Family Investments in Human Capital: Earnings of Women," *Journal of Political Economy* 82 (1974), S76-S108.

Willis, R. "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions" in *Handbook of Labor Economics*, Vol. I, ed. by O. Ashenfelter and R. Layard (1986), Chapter 10.

Willis, R. and S. Rosen. "Education and Self-Selection," *Journal of Political Economy*, 87 (October 1979), S7-36.

October 14 Human Capital – Training

- Becker, G. *Human Capital*, 3rd ed., New York: Columbia University Press, Part I.
- Heckman, J.J., R.J. Lalonde and J.A. Smith. "The Economics and Econometrics of Active Labor Market Programs," in *Handbook of Labor Economics* Vol. 3A, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

Brown, James. "Why Do Wages Increase with Tenure? On-the-Job Training and Life-Cycle Wage Growth Observed within Firms," *American Economic Review* 79:5 (December 1989), 971-91.

Imbens, Guido, and Jeffrey Wooldridge. "Recent Developments in the Econometrics of Program Evaluation," *Journal of Economic Literature* 47:1 (March 2009), 5-86.

Mincer, J. "On-the-Job Training: Costs, Returns, and Some Implications," *Journal of Political Economy* 70:5 part 2 (October 1962), 50-79.

Mincer, J. *Schooling, Experience and Earnings*, New York: Columbia University Press, 1974, chapters 1, 3 and 5.

Topel, R. "Specific Capital, Mobility, and Wages: Wages Rise with Job Seniority," *Journal of Political Economy* 99:1 (February 1991), 145-76.

October 21 Basic Labor Demand Models

- Hamermesh, D.S. *Labor Demand*. Princeton, NJ: Princeton University Press, 1993, chapters 2, 3.

October 28 Compensating Differentials

- Rosen, S. "The Theory of Equalizing Differences" in *Handbook of Labor Economics*, Vol. I, ed. by Ashenfelter and Layard (1986), Chapter 12

Epple, D. "Hedonic Prices and Implicit Markets: Estimating Demand and Supply Functions for Differentiated Products," *Journal of Political Economy*, 95 (February 1987), 59-80.

Goddeeris, J. "Compensating Differentials and Self-Selection: An Application to Lawyers," *Journal of Political Economy*, 96:2 (1988), 411-28.

Hwang, H.; W. R. Reed, and C. Hubbard. "Compensating Wage Differentials and Unobserved Productivity," *Journal of Political Economy* 100 (1992), 835-58.

Moffitt, R. "The Estimation of a Joint Wage-Hours Labor Supply Model," *Journal of Labor Economics*, 2 (October 1984), 550-66.

Rosen, S. "Hedonic Prices and Implicit Markets: Product Differentiation in Pure Competition," *Journal of Political Economy*, 82 (January/February 1974), 34-55.

November 4 Unemployment and Partial Equilibrium Job Search Models

- Mortenson, D. "Job Search and Labor Market Analysis" in *Handbook of Labor Economics*, Vol. 2, edited by O. Ashenfelter and R. Layard. Amsterdam: North Holland, 1986.

Devine, T.J. and N.M. Keifer, *Empirical Labor Economics: The Search Approach*. New York: Oxford University Press, 1991.

Eckstein, Z., and G.J. van der Berg. "Empirical Labor Search: A Survey," *Journal of Econometrics* 136:2 (February 2007), 531-64.

Greene, W. H. *Econometric Analysis*, 5th ed. Upper Saddle River, NJ: Prentice Hall, 2003, chapter 22.5.

Flinn, C. and J. J. Heckman. "Models for the Analysis of Labor Force Dynamics" in *Advances in Econometrics*, Vol. I, edited by R. Basmann and G. Rhodes. Greenwich, CT: JAI Press, 1982.

Wolpin, K. "Estimating a Structural Search Model: The Transition from School to Work," *Econometrica* 55:4 (1987), 801-17.

November 11 Equilibrium Job Search Models

- Mortenson, D.T. and C.A. Pissarides. "New Developments of Search in the Labor Market Analysis" in *Handbook of Labor Economics* Vol. 3B, edited by O. Ashenfelter and D. Card. Amsterdam: North Holland, 1999.

November 18 Empirical Analyses of Job Flows

- Davis, Steven, and John Haltiwanger. "Gross Job Flows." In Orley Ashenfelter and David Card, eds. *Handbook of Labor Economics*. Vol. 3B. Amsterdam: Elsevier Publishers, 1999.

Davis, Steven, John Haltiwanger and Scott Schuh. *Job Creation and Destruction*. Cambridge, MA: MIT Press, 1996.

November 25 No class – Thanksgiving Break

December 2 Student presentations; take home final exam distributed