

Introduction to Graduate Labor Economics

Martin Luther University Halle-Wittenberg / IWH Halle, October 2021

Instructor: Florian Hoffmann

Time: Monday, October 25th to Friday, October 29th, 2021, from 17:00 to 21:00.

Class Location and Office Hours: Due to the ongoing COVID pandemic I will hold the class and office hours via zoom. Regarding office hours I have an "open door" policy, meaning in this context that office hours can be scheduled by email at any time outside the regular class hours. However, since I will be teaching this course from Vancouver, a time difference of 9 hours needs to be taken into consideration.

Course Description: This course is designed as a first course in Ph.D.-level Labor Economics. The overall goal is to give a fairly broad overview of the central topics and foundational models of labor economics and of a wide-ranging set of empirical methodologies. Focusing on the "basics" in this way lays the groundwork for reading up on- and developing a research agenda independently in labor market topics not covered in the course. Prerequisites for the course are a background in graduate-level microeconomics, macroeconomics and econometrics.

Grading: There will be one homework assignment per day and one final exam. Homework assignments can be solved in groups, but the final exam needs to be solved by each student independently and without collaboration. Each of the assignments contribute 15% to the the final grade. The weight of the final exam is 25%. I will post homework assignments at the end of each day, and the deadlines are 1 week after. The date for the final exam is *Friday, November 15th*.

Please keep in mind that we will be on a very tight schedule. I will condense material that is usually thought in a full-semester course into a 5-day workshop. As a consequence, it is impossible to cover every paper in the list below in class. Some papers will need to be the topic of homework assignments or of the final exam. All papers are relevant.

Course Material: The course is based on academic papers. Not all of them will be covered in class, but all of them are relevant for homework assignments and the final exam.

There are no books required for the course. For the section on human capital models I will partially rely on the lecture notes by Daron Acemoglu and David Autor. They can be downloaded online:

- Acemoglu, D. and D. Autor: *Lectures in Labor Economics*. (available online for free).

Another valuable source for review articles and comprehensive surveys is the *Handbook of Labor Economics*. Two chapters that are particularly important for this course are:

- Angrist, J. and A. Krueger (1999). "Empirical strategies in labor economics," *Handbook of Labor Economics*.
- Keane, M., P. Todd and K. Wolpin (2011): "The Structural Estimation of Behavioral Models: Discrete Choice Dynamic Programming Methods and Applications," *Handbook of Labor Economics*.
- Eckstein, Z. and G. van den Berg (2007): "Empirical labor search: A survey," *Journal of Econometrics*, vol. 136(2), pp. 531-564.

I also encourage you to read the summary paper of the literature on intertemporal labor supply by Card:

- Card, D. (1994): "Intertemporal Labor Supply: An Assessment." In *Advances in Econometrics: Sixth World Congress of the Econometric Society Vol. II*, pp. 49–78.

Detailed Syllabus

1. Day 1: Neoclassical Static Labor Supply; Difference-in-Differences.

- Lecture Notes
- Eissa, N. and J. Liebman (1996): "Labor Supply Responses to the Earned Income Tax Credit." *Quarterly Journal of Economics*.
- Kleven, H. (2020): "The EITC and the Intensive Margin: A Reappraisal." NBER Working Paper No. 26405.

2. Day 2: Neoclassical Intertemporal Labor Supply; Field Experiments, Regression Discontinuity Design, Spatial Discontinuities.

(a) Intertemporal Labor Supply.

- Lecture Notes
- MaCurdy, T. (1981): "An Empirical Model of Labor Supply in a Life-Cycle Setting." *Journal of Political Economy*, pp. 1059-1085.
- Fehr, E. and L. Goette (2007): "Do Workers Work More if Wages are High? Evidence from a Randomized Field Experiment." *American Economic Review*.

(b) Empirical Applications: Disability Insurance and Retirement

- Kostol, A. and M. Mogstad (2014): "How Financial Incentives Induce Disability Insurance Recipients to Return to Work." *American Economic Review*.
- Fetter, D. and L. Lockwood (2018): "Government Old-Age Support and Labor Supply: Evidence from the Old Age Assistance Program." *American Economic Review*, vol. 108 (8).

3. Day 3: Labor Market Search Theory

- Lecture Notes.
- Topel, R. H., and M. P. Ward (1992): "Job Mobility and the Careers of Young Men." *Quarterly Journal of Economics*, 107(2).
- Oreopoulos, P., A. Heisz and T. von Wachter (2011): "Short- and Long-Term Career Effects of Graduating in a Recession." *A EJ: Applied Economics*.
- Jovanovic, B. (1979). "Job Matching and the Theory of Turnover," *Journal of Political Economy*, vol. 87(5).
- Burdett, K. and D. Mortensen (1998): "Wage Differentials, Employer Size, and Unemployment." *International Economic Review*.
- Moen, Espen (1997): "Competitive Search Equilibrium." *Journal of Political Economy*.
- Shi, S. (2009): "Equilibrium Search for Wage-Tenure Contracts." *Econometrica*, vol. 77 (2).
- Cahuc, P., J.-M. Robin and F. Postel-Vinay (2006): "Wage Bargaining with On-the-Job Search: Theory and Evidence." *Econometrica*, vol. 74 (2).

4. Day 4: Labor Market Power (aka Contemporary QJE Labor)

- Manning, A. (2021). "Monopsony in Labor Markets: A Review." *ILR Review*, 74(1).
- Song, J., Price, D. J., Guvenen, F., Bloom, N., & Von Wachter, T. (2018). "Firming up inequality." *Quarterly journal of economics*,134(1).
- Card, D., Heining, J., & Kline, P. (2013). "Workplace heterogeneity and the rise of West German wage inequality." *Quarterly Journal of Economics*, 128(3).
- Card, D., Cardoso, A. R., & Kline, P. (2016). "Bargaining, Sorting, and the Gender Wage Gap: Quantifying the Impact of Firms on the Relative Pay of Women." *Quarterly Journal of Economics*, 131(2)
- Card, D., Cardoso, A. R., Heining, J., & Kline, P. (2018). "Firms and labor market inequality: Evidence and some theory." *Journal of Labor Economics*, S13-S70.
- Lamadon, T., M. Mogstad, and B. Setzler.(2021). "Imperfect Competition, Compensating Differentials and Rent Sharing in the US Labor Market." *American Economic Review*, forthcoming.
- Berger, D., K. Herkenhoff, and S. Mongey (2021). "Labor Market Power." working paper, University of Minnesota.
- Kline, P., Petkova, N., Williams, H., & Zidar, O. (2019). "Who Profits from Patents? Rent-Sharing at Innovative Firms." *Quarterly Journal of Economics*, 134(3).
- Dube, A., P W. Lester, and M. Reich (2016). "Minimum Wage Shocks, Employment Flows, and Labor Market Frictions." *Journal of Labor Economics*, 34(3).
- Harasztosi, P. and A. Lindner (2019). "Who pays for the Minimum Wage?" *American Economic Review*, 109(8).
- Dustmann, C., A. Lindner, U. Schoenberg, M. Umkehrer and P. vom Berge (2021). "Reallocation and Minimum Wages: Evidence From Germany." *Quarterly Journal of Economics*, forthcoming.

5. Day 5: Skills and Human Capital, Instrumental Variable Estimation

- Lecture Notes
- Acemoglu-Autor Lecture Notes
- Card, D. and T. Lemieux (2001). "Can Falling Supply Explain the Rising Return to College for Younger Men? A Cohort-Based Analysis." *Quarterly Journal of Economics*, 116(2).
- Krussell, P., L. Ohanian, V. Rios-Rull, J.L. Violante (2000). "Capital-Skill Complementarity and Inequality: A Macroeconomic Analysis." *Econometrica*, vol. 68 (5).
- Caines, C., F. Hoffmann, and G. Kambourov (2017). "Complex-Task Biased Technological Change and the Labor Market." *Review of Economic Dynamics*, vol. 25.
- Card, D. (2001): "Estimating the Returns to Schooling: Progress on Some Persistent Econometric Problems," *Econometrica*, vol. 69(5).
- Oreopoulos (2006): "Estimating Average and Local Average Treatment Effects of Education when Compulsory Schooling Laws Really Matter." *American Economic Review*.
- Altonji, J. and R. A. Shakotko (1987): "Do Wages Rise with Job Seniority?" *Review of Economic Studies*, vol. 54(3).
- Polachek, S. W., T. Das and R. Thamma-Apiroam (2015): "Micro- and Macroeconomic Implications of Heterogeneity in the Production of Human Capital." *Journal of Political Economy*, vol. 123(6).
- Huggett, M., G. Ventura and A. Yaron (2011): "Sources of Lifetime Inequality," *American Economic Review*, vol. 101(7).
- Caucutt, E. M. and L. Lochner (2020). "Early and Late Human Capital Investments, Borrowing Constraints, and the Family." *Journal of Political Economy*, vol. 128(3).