

# 31E00920

## Applied Microeconometrics II

### Spring 2015

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Instructor's contact information	Course information
Name: <b>Manuel Bagues</b> E-mail: manuel.bagues@aalto.fi Office: A219, Economicum Office Hours: by request Instructor's Webpage: www.manuelbagues.com	MSc (Econ), elective course Location: E-127, Arkadia Language of Instruction: English Course Website: <a href="https://noppa.aalto.fi/noppa/kurssi/31E00920/">https://noppa.aalto.fi/noppa/kurssi/31E00920/</a>

#### 1. OVERVIEW

This course is a follow-up to Applied Econometrics I (AE1). The course has a practical flavor; emphasis is not on proofs but on intuitions and on applications. Students will build up on their knowledge of econometrics and economic theory in order to tackle a number of relevant empirical questions. The objective of the course is to get a better understanding of the empirical tools covered in AE1 and to practice how they can be used to study actual questions that might be relevant for public policy or in a business context. The course is especially suitable for students who want to address an empirical question in their master's thesis.

The course combines standard lectures on some relevant topics that were not covered in AE1 together with students' presentations of selected academic articles. The purpose of the course is to provide an overview of recent state-of-the-art empirical research, to become better acquainted with relevant methodological issues, and to improve presentation skills. We will also emphasize the interplay between theory and empirics.

There will be individual sessions in order to help students prepare their presentations. The purpose of these help sessions is NOT to give students detailed explanations of the content of the papers. Students are supposed to work out these details for themselves. Instead, they are meant to help the student focus on the most important ideas of the paper.

#### 2. PREREQUISITES

You should have already taken Applied Microeconometrics I (31E00900). Skills learned in that or a similar course will very useful for this course, which has an emphasis on empirical evidence. Nonetheless, we will also briefly review relevant empirical methods in class.

#### 3. ASSESSMENT AND GRADING

There will be four graded problem sets. The final grade will be based on these problem sets (1/3) and on students' presentations (2/3). Alternatively, students who will not be able to attend lectures and to give a presentation can take a final exam. The content of this exam will be based on the material covered during the course and it will be similar in content to the problem sets. In their case the final grade will be based on problem sets (1/3) and the final exam (2/3).

## 4. READINGS

Many of the topics that will be discussed in the course are addressed in the following textbook:

- Angrist, J. D., & Pischke, J.-S. (2009), "Mostly harmless econometrics: An empiricist's companion". Princeton: Princeton University Press

In addition to that, in each lecture we will also discuss particular academic papers, which are listed below. You might want to read these articles either before or after the lecture. All material will be posted at the Course Web Page. We will also cover articles outside of the reading list that you are expected to learn to the extent discussed in the lecture handouts.

### READING LIST (\* signals the main references)

#### Can we trust published research?

Bargh, John, Mark Chen, and Lara Burrows (1996), "Automaticity of social behavior: Direct effects of trait construct and stereotype priming on action," *Journal of Personality and Social Psychology*, 71, 230-244.

Bohannon, John (2013), "Who's Afraid of Peer Review?" *Science* 342(6154), 60-65

Brodeur, Abel, Mathias Le, Marc Sangnier and Yanos Zylberberg (2013), "Star Wars: the Empirics Strike Back", mimeo.

Butler, Declan (2013), "Investigating journals: The dark side of publishing," *Nature* 495(7442), 433-435.

Durante, Kristina M., Ashley Arsenau and Vladas Griskevicius (2013). The fluctuating female vote: politics, religion, and the ovulatory cycle. *Psychological Science* 24, 1007-1016.

\*Gelman, Andrew and Eric Loken (2013), "The garden of forking paths: Why multiple comparisons can be a problem, even when there is no "fishing expedition" or "p-hacking" and the research hypothesis was posited ahead of time", mimeo.

\*Gelman, Andrew and David Weakliem (2009), "Of beauty, sex, and power", *American Scientist* 97(4), 310-316

Kanazawa, Satoshi (2007), "Beautiful parents have more daughters: a further implication of the generalized Trivers-Willard hypothesis", *Journal of Theoretical Biology*, 244, 133-140.

Leamer, Edward (1983), "Let's Take the Con Out of Econometrics," *American Economic Review*, 73(1), 31-43.

Necker, Sarah (2014), "Scientific misbehavior in economics," *Research Policy*, 43(10), 1747-1759.

#### Clustering standard errors

Angrist, J. D., & Pischke, J.-S. (2009), Chapter 8.

\*Bertrand, Marianne, Esther Duflo, and Sendhil Mullainathan (2004), "How Much Should We Trust Differences-in-Differences Estimates?," *Quarterly Journal of Economics*, 119, 249-275.

#### Structural models

\*Duflo, Esther, Rema Hanna, and Stephen P. Ryan. 2012. "Incentives Work: Getting Teachers to Come to School." *American Economic Review*, 102(4): 1241-78.

#### Article presentations (preliminary and provisional)

Abramitzky and Lavy (2014), "How Responsive is Investment in Schooling to Changes in Redistributive Policies and in Returns," *Econometrica*, 82(4), 1241-1272.

Ahern, Kenneth and Amy Dittmar (2012), "The changing of the boards: The impact on firm valuation of mandated female board representation," *Quarterly Journal of Economics*, 127(1), 137-197.

Aizer, Anna and Joseph J. Doyle Jr. (forthcoming) Juvenile Incarceration, Human Capital and Future Crime: Evidence from Randomly-Assigned Judges, forthcoming at the Quarterly Journal of Economics.

Angrist, Cohodes, Dynarski, Pathak, and Walters (forthcoming), "Stand and Deliver: Effects of Boston's Charter High Schools on College Preparation, Entry, and Choice," forthcoming at Journal of Labor Economics.

Azoulay, Graff Zivin and Wang (2010), "Superstar Extinction," Quarterly Journal of Economics, 125 (2), 549-589.

Beland (forthcoming), "Political Parties and Labor Market Outcomes. Evidence from US States," forthcoming at American Economic Journals: Applied Economics.

Björkland, Anders, Mikael Lindahl and Erik Plug (2006), "The Origins of Intergenerational Associations: Lessons from Swedish Adoption Data," Quarterly Journal of Economics, 121, 999-1028.

Black, Devereux and Salvanes (2005), "Why the Apple Doesn't Fall Far: Understanding Intergenerational Transmission of Human Capital," American Economic Review, 95(1), 437-449.

Card, David, Alexandre Mas, Enrico Moretti and Emmanuel Saez (2012), "Inequality at Work: the Effect of Peer Salaries on Job Satisfaction," American Economic Review 102(6), 2981-3003.

Carneiro, Loken and Salvanes (forthcoming), "A Flying Start? Maternity Leave Benefits and Long Run Outcomes of Children," forthcoming at Journal of Political Economy.

Crepon, Duflo, Gurgand, Rathelot and Zamora (2013), "Do Labor Market Policies have Displacement Effects? Evidence from a Clustered Randomized Experiment," Quarterly Journal of Economics 128(2), 531-580.

Cuñat, Vicente, María Guadalupe and Mireia Giné (2012), "The Vote is Cast: The Effect of Corporate Governance on Shareholder Value," Journal of Finance 67(5), 1943-1977.

Dahl, Loken and Mogstad (2014), "Peer Effects in Program Participation," American Economic Review, 104(7), 2049-2074.

Dal Bo, Finan and Rossi (2013), "Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service," Quarterly Journal of Economics 128(3), 1169-1218.

Donohue, John and Justin Wolfers (2005), "Uses and Abuses of Empirical Evidence in the Death Penalty Debate," Stanford Law Review 58: 791-846.

Fack and Grenet (forthcoming), "Improving College Access and Success for Low-Income Students: Evidence from a Large Need-based Grant Program" forthcoming at American Economic Journals: Applied Economics

Ginsburgh, Victor A. and Jan C. van Ours (2003), "Expert Opinion and Compensation: Evidence from a Musical Competition," American Economic Review, 93(1), 289-296.

Hagedorn, Manovskii and Mitman (2015), "The Impact of Unemployment Benefit Extensions on Employment: The 2014 Employment Miracle?," NBER Working Paper No. 20884

Hämäläinen and Sarvimakki (forthcoming), "Integrating Immigrants: The Impact of Restructuring ALMP," forthcoming at Journal of Labor Economics.

Huttunen and Kellokumpu (forthcoming), "The Effect of Job Displacement on Couples' Fertility Decisions," forthcoming at Journal of Labor Economics.

Isen, Rossin-Slater and Walker (2013): Every Breath You Take - Every Dollar You'll Make: The Long-Term Consequences of the Clean Air Act of 1970, mimeo.

Lee, David and Alexandre Mas (2012), "Long-Run Impacts of Unions on Firms: New Evidence from Financial Markets, 1961-1999," Quarterly Journal of Economics, 127(1), 333-378.

Niederle, Muriel and Lise Vesterlund (2007), "Do Women Shy Away From Competition? Do Men Compete Too Much?," Quarterly Journal of Economics 122, 1067-1101.

Pekkala-Kerr, Pekkarinen and Uusitalo (2013), "School Tracking and Development of Cognitive Skills," Journal of Labor Economics 31(3), 577-602.

Pekkarinen, Tuomas, Roope Uusitalo, and Sari Pekkala (2009), "School tracking and intergenerational income mobility: Evidence from the Finnish comprehensive school reform," Journal of Public Economics 93: 965-73.

Zimmerman, Seth (2014), "The Returns to College Admission for Academically Marginal Students," Journal of Labor Economics, 32(4), 711-754

## 5. PRELIMINARY SCHEDULE

Please note that the dates on which material will be covered are approximate. Topics may take more or less time than I anticipate.

Session	Date	Topic	Assignment Due Date
1	Feb 23, 14:00	Introduction	
2	Feb 25, 12:00	Introduction	
3	March 2, 12:00	Can we trust published research?	
4	March 4, 14:00	Clustering Standard Errors	
5	March 6, 12:00	Structural Models	March 12, 12:00
6	March 9, 12:00	Presentations	
7	March 11, 12:00	Presentations	
8	March 13, 12:00	Problem set I	March 19, 12:00
9	March 16, 12:00	Presentations	
10	March 18, 12:00	Presentations	
11	March 20, 14:00	Problem set II	March 26, 12:00
12	March 23, 12:00	Presentations	
13	March 25, 14:00	Presentations	
14	March 27, 14:00	Problem set III	April 2, 22:00
15	March 30, 14:00	Presentations	
16	April 1, 14:00	Presentations	

## 6. ETHICAL RULES

Aalto University Code of Academic Integrity and Handling Thereof:

<https://into.aalto.fi/pages/viewpage.action?pageId=3772443>