

31E00700 Labor Economics Spring 2015

February 5, 2015

| Instructor's contact information | Course information |
|--|---|
| Name: Manuel Bagues 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: https://noppa.aalto.fi/noppa/kurssi/31e00700/ |

1. OVERVIEW

This course provides an overview of the modern microeconomic approaches that economists use to analyze the labor markets. We will emphasize the interplay between theory and empirics and cover topics such as labor supply, labor demand, immigration, minimum wage laws, technological change, education, inequality, and discrimination.

2. PREREQUISITES

You should be comfortable with intermediate microeconomics and with basic concepts covered in Empirical Methods for Economists (31C01200). If you have already taken Applied Microeconometrics (31E00900), you will see many familiar empirical approaches in action. Skills learned in that or a similar course will very useful for this course, which has an emphasis on empirical evidence. However, as 31E00900 is not a formal prerequisite of the course, we will also briefly review the empirical methods in class.

3. ASSESSMENT AND GRADING

There will be four graded problem sets and a final exam. 20% of the final grade will be based on the performance in these problem sets and the final exam will account for the remaining 80%. Please note that I will be strict with deadlines: problem sets will only be considered if they have been handed in before the deadline.

4. READINGS

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

- Borjas, George J., Labor Economics, 6th edition, McGraw-Hill, 2013 (previous editions are also suitable)

In addition to that, in each lecture we might also discuss particular academic papers, which are listed below. You might want to read these articles either before or after the lecture.

We will also cover articles outside of the reading list that you are expected to learn to the extent discussed in the lecture handouts. All material will be posted at the Course Web Page:

<https://noppa.aalto.fi/noppa/kurssi/31e00700/>

READING LIST

Static Labor Supply

Borjas, chapter 2.2-2.8.

Imbens, Guido W., Donald B. Rubin, Bruce Sacerdote (2001), "Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players," *American Economic Review* 91, 778-94.

Card, David and Dean Hyslop (2005), "Estimating the Effects of a Time-Limited Earnings Subsidy for Welfare-Leavers," *Econometrica* 73(6), 1723–1770.

Dorsett, Richard and Andrew Oswald (2014), "Human Well-Being and In-Work Benefits: A Randomized Controlled Trial," Discussion Paper No. 424, National Institute of Economics and Social Research.

Intertemporal Labor Supply

Borjas, chapter 2.

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

Farber, Henry S. (2014) "Why You Can't Find a Taxi in the Rain and Other Labor Supply Lessons from Cab Drivers" National Bureau of Economic Research Working Paper Series No. 20604.

Fehr, Ernst and Lorenz Goette (2007), "Do Workers Work More if Wages Are High? Evidence from a Randomized Field Experiment," *American Economic Review* 97(1), 298-317.

Introduction to Empirical Methods

Angrist, J. D., & Pischke, J.-S. (2009), "Mostly harmless econometrics: An empiricist's companion". Princeton: Princeton University Press, chapter 2.

Labor Demand

Borjas, chapter 3.

Migration

Borjas, chapter 8.

Borjas, George (2003), "The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market," *Quarterly Journal of Economics*, 118, 1335–1374.

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

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

Imperfect Labor Markets

Borjas, chapters 3.10 and 4.9.

Card, David and Alan B. 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.

Wage inequality

Borjas, chapter 7.

Autor, David and David Dorn (2013), "The Growth of Low-Skill Service Jobs and the Polarization of the U.S. Labor Market," *American Economic Review* 103(5), 1553-97.

Bertrand, Marianne and Sendhil Mullainathan (2001), "Are CEOs Rewarded for Luck? The Ones Without Principals Are," *Quarterly Journal of Economics* 116(3), 901-932.

Gabaix, Xavier and Augustine Landier (2008), "Why has CEO Pay Increased So Much?" *Quarterly Journal of Economics* 123 (1), 49-100.

Katz, Lawrence F. and Kevin M. Murphy (1992), "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," *Quarterly Journal of Economics*, 107, 35-78.

Human Capital and Signaling

Borjas, chapter 6.

Angrist, J. D. and A. B. Krueger (1991), "Does compulsory school attendance affect schooling and earnings?" *Quarterly Journal of Economics*, 106, 979-1014.

Tyler, John H., Richard J. Murnane and John B. Willett (2000), "Estimating the Labor Market Signaling Value of the GED," *Quarterly Journal of Economics* 115(2), 431-468.

School Organization

Angrist, J. and V.Lavy (1999), "Using Maimonides' rule to estimate the effect of class size on scholastic achievement," *Quarterly Journal of Economics*, 114, 533-575.

Krueger, A.B. (1999), "Experimental estimates of education production function," *Quarterly Journal of Economics*, 114, 497-532.

Discrimination

Borjas, chapter 9.

Pager, Devah, Bruce Western and Bart Bonikowski (2009), "Discrimination in a Low Wage Labor Market: A Field Experiment," *American Sociological Review*, 74, 777-799.

Bertrand, M. and S. Mullainathan (2004). "Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination," *American Economic Review*, 94, 991-1013.

Fairness and norms

List, John A. 2007. "On the Interpretation of Giving in Dictator Games." *Journal of Political Economy*, 115, 482-493.

Pope, Devin G. and Maurice E. Schweitzer. 2011. "Is Tiger Woods Loss Averse? Persistent Bias in the Face of Experience, Competition, and High Stakes." *American Economic Review*, 101(1), 129-157.

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 | Jan 8, 12:00 | Introduction; Static Labor Supply | Jan 15, 12:00 |
| 2 | Jan 13, 12:00 | Intertemporal Labor Supply | |
| 3 | Jan 15, 12:00 | Introduction to Empirical Methods | Jan 22, 12:00 |
| 4 | Jan 16, 14:00 | Discussion Assignment 1 | |
| 5 | Jan 20, 12:00 | Labor Demand | |
| 6 | Jan 22, 12:00 | Migration | |
| 7 | Jan 27, 12:00 | Minimum wage | Feb 5, 12:00 |
| 8 | Jan 29, 12:00 | Wage inequality | |
| 9 | Feb 3, 12:00 | Human Capital and Signaling | |
| 10 | Feb 5, 12:00 | Human Capital and Signaling | Feb 12, 12:00 |
| 11 | Feb 6, 14:00 | Discussion Assignments 2 & 3 | |
| 12 | Feb 10, 12:00 | School Organization | |
| 13 | Feb 13, 14:00 | Discrimination & Discussion Assignment 4 | |

6. COURSE WORKLOAD

| | |
|-------------------|-------------|
| Classroom hours | 24h |
| Exercises | 12h |
| Class preparation | 96h |
| Assignments | 24h |
| Exam | 4h |
| Total | 160h (6 op) |

7. ETHICAL RULES

Aalto University Code of Academic Integrity and Handling Thereof:

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

8. OTHER ISSUES

Final exam: 18.02.15 (09.00-13.00)

Retakes: 30.03.15 (16.00-20.00), 15.05.15 (14.00-18.00)