

**31E00700**  
**Labor Economics**  
**Spring 2016**

March 18, 2016

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: A-401, Päärakennus, Runeberginkatu 14-16 Language of Instruction: English Course Website: <a href="https://mycourses.aalto.fi/course/view.php?id=3616">https://mycourses.aalto.fi/course/view.php?id=3616</a>

**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). This course has a particular emphasis on empirical evidence. If you have already taken Applied Microeconometrics I (31E00910), you will see many familiar empirical approaches in action. Nonetheless, as 31E00910 is not a formal prerequisite of the course, we will also briefly review empirical methods in class.

**3. ASSESSMENT AND GRADING**

There will be four graded problem sets and a final exam. 30% of the final grade will be based on the performance in these problem sets and the final exam will account for the remaining 70%. Please note that deadlines are binding: problem sets will only be considered if they have been handed in on time.

**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. In each chapter, required readings are marked with an asterisk. You might want to read these articles either before or after the lecture. Furthermore, you can also find in the reading list a number of references which are meant to be additional reading for an interested student. During the lectures we will also cover briefly some articles outside of the reading list. In this case, you are expected to learn about them only to the extent discussed in the lecture handouts. All material will be posted at the Course Web Page:

## READING LIST

Note: \* indicates required readings

### **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.

### **Introduction to Empirical Methods**

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

### **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. (2015), "Why You Can't Find a Taxi in the Rain and Other Labor Supply Lessons from Cab Drivers" *The Quarterly Journal of Economics* 130 (4), 1975-2026.

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.

### **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**

\* Autor, David (2014a), "Skills, Education, and the Rise of Earnings Inequality Among the Other 99 Percent," *Science*, 344 (6186), 843-851.

\* Autor, David (2014b), "Polanyi's Paradox and the Shape of Employment Growth," paper prepared for Federal Reserve Bank of Kansas, Jackson Hole Conference, August 22, 2014.

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.

### **Gender and Race**

Autor, David and Melanie Wasserman (2013), "Wayward Sons: The Emerging Gender Gap in Labor Markets and Education," *Third Way*.

Borjas, chapter 9.

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.

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

### **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	Feb 23, 10:00	Introduction, Facts and Figures	
2	Feb 25, 10:00	Static Labor Supply	March 1, 22:00
3	Feb 26, 10:00	Introduction to Empirical Methods	
4	March 1, 10:00	Intertemporal Labor Supply	
5	March 3, 10:00	Labor Demand	March 8, 22:00
6	March 4, 10:00	Discussion Assignment 1	
7	March 8, 10:00	Migration	
8	March 10, 10:00	Imperfect Labor Markets	March 15, 22:00
9	March 11, 10:00	Discussion Assignment 2	
10	March 15, 10:00	Wage inequality	
11	March 17, 10:00	Wage inequality	
12	March 18, 10:00	Discussion Assignment 3	
13	March 22, 10:00	Human Capital and Signaling	
14	March 24, 10:00	School Organization	March 29, 22:00
15	March 29, 10:00	Gender and Race	
16	March 31, 10:00	Fairness and norms	
17	April 1, 10:00	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>