

The purpose of this course is to gain further expertise in working with the literature in labor economics and gaining skills needed to write a dissertation. We will work through some of the papers on the reading list in great detail. But sometimes we will practice the art of skimming, to get the gist of the paper quickly.

The course surveys a wide variety of topics, including labor supply, information and agency problems, search models, matching models, bargaining and strikes and compensating wage differentials.

There are four ways to make use of a paper. The first is to work through it in detail, going through some or all of the derivations. The second is to read it carefully, the third is to skim it, and the fourth is to use it as a reference source. Papers in the first category are marked with a (w). Those in the second are unmarked and those in the third are marked with an (s). The papers that are reference sources are marked with an (r).

Abbreviations: *JOLE*—Journal of Labor Economics  
*HLE*—Handbook of Labor Economics  
*JPE*—Journal of Political Economy  
*OJE*—Quarterly Journal of Economics

The set of assignments that will be figured into the grade for the course include the following:

1. Empirical research project—There is no paper required for the class. Instead, we will work through a series of exercises on formulating an original and interesting topic, investigating sources of data, and organizing empirical work.
2. Presentation of articles to the class—These may include articles on the reading list or other articles of general interest.
3. Referee reports—Write a few referee reports on articles that have been submitted to journals.
4. Problem sets—You will have a couple of short problem sets to work on.
5. A final exam.

## Reading List

### I. Habit Formation

1. Becker, G. and Murphy, K. "A Theory of Rational Addiction." *JPE*, Aug. 1988.
2. Becker, G. "Habits, Addictions, and Traditions." *Kyklos* no. 3 1992.

### II. Job Search

#### A. *Theory*

1. Mortenson, D. "Job Search and Labor Market Analysis." *HLE*, Chapter 15.
2. Albrecht, J. and Axell, B. "An Equilibrium Model of Search Unemployment." *JPE*, October, 1984.

#### B. *Empirics*

1. Allison, P. Event History Analysis Sections 1-3, 5.
2. Keifer, N. "Economic Duration Data and Hazard Functions." *Journal of Economic Literature*, June 1988. (r)
3. Wolpin, K. "Estimating a Structural Search Model." *Econometrica*, July, 1987.
4. Gottschalk, P. and Maloney, T. "Involuntary Termination, Unemployment, and Job Matching: A Test of Search Theory." *JOLE*, April, 1985.
5. Jones, S. and Kuhn, P. "Mandatory Notice and Unemployment." *JOLE*, October, 1995.
6. Meyer, B. "Lessons from US Unemployment Insurance Experiments." *Journal of Economic Literature*, March, 1995.
7. Devine, T. and Kiefer, N. "The Empirical Status of Job Search Theory." *Labour Economics*, June, 1993.

### III. Job Matching

1. Jovanovic, B. "Job Matching and the Theory of Turnover." *JPE*, October, 1979.
2. Mortensen, D. "Matching: Finding a Partner for Life or Otherwise." *American Journal of Sociology*, Supplement, 1988.
3. Garen, J. "Empirical Studies of the Job Matching Hypothesis." *Research in Labor Economics*, 1988. (s)

#### IV. Information and Agency Problems

1. Salop, S. and Salop, J. "Self-Selection and Turnover in the Labor Market." *QJE*, May 1976. (w)
2. Lazear, E. "Why is There Mandatory Retirement?" *JPE*, Dec. 1979. (w)
3. Holmstrom, B. "Moral Hazard and Observability." *Bell Journal of Economics*, no. 1 1979.

#### V. Efficiency Wages

1. Bulow, J. and Summers, L. "A Theory of Dual Labor Markets with Applications to Industrial Policy, Discrimination, and Keynesian Unemployment." *JOLE*, Jul. 1986.
2. Krueger, A. and Summers, L. "Efficiency Wages and the Inter-Industry Wage Structure." *Econometrica*, March, 1988.

#### VI. Labor Supply

##### A. *The Static Model—Individual Decision*

1. Pencavel, J. "Labor Supply of Men: A Survey." *HLE*, Chapter 1. (r)
2. Heckman, J. and Killingsworth, M. "Female Labor Supply: A Survey." *HLE*, Chapter 2. (r)

##### B. *Family Decision*

1. Folbre, N. "Cleaning House: New Perspectives on Households and Economic Development." *Journal of Development Economics*, June, 1986.
2. Becker, G. "A Theory of the Allocation of Time." *Economic Journal*, September, 1965.
3. Lundberg, S. and Pollak, R. "Bargaining and Distribution in Marriage." *Journal of Economic Perspectives*, Fall, 1996.
4. Gronau, R. "Leisure, Home Production and Work." *JPE*, December, 1977.
5. Becker, G. "Human Capital, Effort and the Sexual Division of Labor." *Journal of Labor Economics*, January, 1985 (Supplement).

##### C. *Empirical Work*

1. Heckman, J. "What Has Been Learned About Labor Supply in the Past 20 Years?" *AER*, May 1993.
2. Camerer, C., Babcock, L., Loewenstein, G., and Thaler, R. "Labor Supply of New York City Cabdrivers: One Day at a Time." *QJE*, May, 1997.
3. Oettinger, G. "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors." *JPE*, April, 1999.

#### D. *Intertemporal Labor Supply*

1. Heckman, J. "A Life-Cycle Model of Earnings, Learning, and Consumption." *JPE*, August, 1976 (Supplement).
2. Plant, M. "An Empirical Analysis of Welfare Dependence." *AER*, September, 1984.
3. MaCurdy, T. "An Empirical Model of Labor Supply in a Life-Cycle Setting." *JPE*, December, 1981.

#### E. *Taxes and Transfers*

1. Moffitt, R. "The Econometrics of Piecewise Linear Budget Constraints." *Journal of Business and Economic Statistics*, July, 1986.
2. Moffitt, R. "An Economic Model of Welfare Stigma." *AER*, December, 1983.
3. Moffitt, R. "Incentive Effects of the US Welfare System: A Review." *Journal of Economic Literature*, March, 1992.

#### VII. Fertility

1. Becker, G., Murphy, K., and Tamura, R. "Human Capital, Fertility and Economic Growth." *JPE*, October, 1990 (Supplement).
2. Hoynes, H. "Does Welfare Play Any Role in Female Headship Decisions?" *Journal of Public Economics*, August, 1997.

#### VIII. The Allocation of Talent

1. Baumol, W. "Entrepreneurship: Productive, Unproductive, and Destructive." *JPE*, October, 1990.
2. Murphy, K., Shleifer, A., and Vishny, R. "The Allocation of Talent: Implications for Growth." *QJE*, May, 1991. (s)

#### IX. Labor Market Institutions

1. Carmichael, H. L. "Incentives in Academics: Why Is There Tenure?" *JPE*, June 1988. (s)
2. Lazear, E. "Pay Equality and Industrial Politics." *JPE*, June 1989. (s)
3. Kandel, E. and Lazear, E. "Peer Pressure and Partnerships." *JPE*, Aug. 1992. (s)
4. Goldin, C. "Monitoring Costs and Occupational Segregation by Sex: A Historical Analysis." *JOLE*, Jul. 1986.
5. Edward Lazear, "Labor Economics and the Psychology of Organizations," *Journal of Economic Perspectives*, Spring, 1991.

#### X. Relative Status and Pay

1. Lazear, E. and Rosen, S. "Rank-Order Tournaments as Optimum Labor Contracts." *JPE*, Oct. 1981.
2. Rosen, S. "Prizes and Incentives in Elimination Tournaments." *AER*, Sept. 1986. (s)
3. Rosen, S. "The Economics of Superstars." *AER*, Dec. 1981. (s)
4. Frank, R. and Cook, P. The Winner-Take-All Society, 1995. (s)
5. Ehrenberg, R. and Bognanno, M. "Do Tournaments Have Incentive Effects?" *JPE*, December, 1990.

#### XI. Equalizing Wage Differences

1. Brown, C. "Equalizing Differences in the Labor Market." *QJE*, Feb. 1980. (s)
2. Rosen, S. "The Theory of Equalizing Wage Differences." *HLE*, chap. 12.
3. Stern, S. "Do Scientists Pay to Be Scientists?" *National Bureau of Economic Research Working Paper No. 7410*, October, 1999.

#### XII. Inequality

1. Welch, F. "Education in Production." *JPE*, Jan./Feb. 1970. (w)
2. Juhn, C., Murphy, K. and Pierce, B. "Wage Inequality and the Rise in Returns to Skill." *JPE*, June, 1993.
3. Krueger, A. "How Computers Have Changed the Wage Structure: Evidence from Microdata, 1984-1989." *QJE*, February, 1993.
4. DiNardo, J. and Pischke, S. "The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?" *QJE*, February, 1997.

#### XIII. Program Evaluation

Heckman, J., LaLonde, R. and Smith, J. "The Economics and Econometrics of Active Labor Market Programs." *HLE*, Volume III (Draft copy). (r)

#### XIV. Bargaining and Strikes

Kennan, J. "The Economics of Strikes." *HLE*, Chap. 19.

#### XV. Unemployment and Wage Contracts

1. Azariadis, C. "Implicit Contracts and Underemployment Equilibria." *JPE*, Dec. 1975.
2. Rosen, S. "Implicit Contracts." *Journal of Economic Literature*, September, 1985. (r)
3. Baudry, P. and DiNardo, J. "The Effect of Implicit Contracts on the Movement of Wages over the Business Cycle: Evidence from Micro Data." *JPE*, Aug. 1991.

XVI. Intergenerational Transfers and Other Aspects of Family Behavior

1. Cox, D. "Motives for Private Income Transfers." *JPE*, June, 1987.
2. Altonji, J., Hayashi, F. and Kotlikoff, L. "Paternal Altruism and Inter Vivos Transfers: Theory and Evidence." *JPE*, December, 1997.
3. Tauchen, H., Witte, A. and Long, S. "Domestic Violence: A Non-random Affair." *International Economic Review*, May 1991.