

Boston College
Department of Economics

EC 886.01 Current Topics in Labor Economics
Fall 1998

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Course Description and Requirements

The purpose of this portion of the course is to provide a selected survey of topics in labor economics including: human capital, estimating the returns to education, discrimination, and unions, to name a few. The course will focus on empirical work designed to test microeconomic theories of labor markets.

The grade for the course will be determined by an exam given at the end of the semester and the paper. The exam counts for a third of the final grade and the paper counts for two-thirds. The paper should contain an empirical section with estimates from a microdata set. I will give you more details about the requirements for the paper early in the semester. In addition, students will be expected to present a selection of papers on the syllabus in class, and to write a referee report.

The course has four main goals: to introduce some of the current issues in labor economics, to increase familiarity with the common econometric techniques used in labor economics, to increase knowledge of the data sources, and to help students start thinking about research topics in labor economics.

Preliminary Reading List

* Indicates required readings. The reading list is subject to change, including the addition and subtraction of *'s.

I. Labor Demand

A. Static Labor Demand

* D. Hamermesh, "The Demand for Labor in the 'Long Run.'" Chapter 8 in Ashenfelter and Layard, ed. Handbook of Labor Economics. (Amsterdam: North Holland), 1986.

* D. Card and A. Krueger, "Minimum Wages and Employment: A Case study of the Fast Food Industry in New Jersey and Pennsylvania," American Economic Review, September 1994.

D. Card, "Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage," Industrial and Labor Relations Review, 1992.

B. Dynamic Labor Demand

* W. Oi, "Labor as a Quasi-Fixed Factor," Journal of Political Economy, Dec. 1962.

T. Sargent, "Estimation of Dynamic Labor Schedules Under Rational Expectations," Journal of Political Economy, December 1978.

D. Card, "Unexpected Inflation, Real Wages, and Employment Determination in Union Contracts," American Economic Review, September 1990.

* P. Anderson, "Linear Adjustment Costs and Seasonal Labor Demand: Evidence for Retail Trade Firms," Quarterly Journal of Economics, November 1993.

II. Education, Earnings, and Experience

A. Human Capital

R. Willis, "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions," in Ashenfelter and Layard, Handbook of Labor Economics, vol. 1, Chapter 10.

J. Mincer, Schooling, Experience, and Earnings, Columbia University Press, 1994

G. Becker, Human Capital, 3rd Edition, Chicago: University of Chicago press, 1993.

B. Specific Human Capital Investments and Training

* L. Kletzer, "Returns to Seniority After Permanent Job Loss," AER, 1989.

* K. Abraham and H. Farber, "Job Duration, Seniority and Earnings," AER, 1987.

L. Jacobson, R. LaLonde, D. Sullivan, "Earnings Losses of Displaced Workers," AER, September 1993.

R. Topel and M. Ward, "Job Mobility and the Careers of Young Men," Quarterly Journal of Economics, 1992.

J. Altonji and R. Shakotko, "Do Wages Rise with Job Seniority," Review of Economic Studies, 1987.

R. Topel, "Specific Capital, Mobility, and Wages: Wages Rise with Job Seniority," Journal of Political Economy, 1991.

Y. Ben-Porath, "The Production of Human Capital and the Life Cycle of Earnings," Journal of Political Economy, August 1967.

C. Returns to Education

* Z. Griliches, "Estimating the Returns to Schooling: Some Econometric Problems," Econometrica, January 1977.

S. Rosen, "Human Capital: A Survey of Empirical Research," in R. Ehrenberg (ed) Research in Labor Economics, Greenwich, CT: JAI Press, Vol. 1, 1977.

i. Signalling

* M. Spence, "Job market Signaling," *Quarterly Journal of Economics*, 1973.

* K. Lang and D. Kropp, "Human Capital Versus Sorting: The Effects of Compulsory Attendance Laws," *Quarterly Journal of Economics*, August 1986.

R. Willis and S. Rosen, "Education and Self-Selection," *Journal of Political Economy*, 1979 (supplement).

J. Stiglitz, "The Theory of Screening, Education and the Distribution of Income," *AER*, June 1975.

J.G. Riley, "Testing the Educational Screening Hypothesis," *Journal of Political Economy*, 1979 (supplement).

ii. Natural Experiments

* J. Angrist and A. Krueger, "Does Compulsory School Attendance Affect Schooling and Earnings?," *Quarterly Journal of Economics*, November 1991.

*K. Butcher and A. Case, "The Effect of Sibling Sex Composition on the Education on Women's Education and Earnings," *Quarterly Journal of Economics*, August 1994.

* D. Card, "Using Geographic Variation in College Proximity to Estimate the Return to Schooling," NBER working paper No. 4483, October 1993.

* D. Card, Earnings, Schooling, and Ability Revisited, Princeton University, IR Section Working paper #331, May 1994.

O. Ashenfelter and A. Krueger, "Estimates of the Economic Return to Schooling from a New Sample of Twins," *AER*, December 1994.

T. Kane and C. Rouse, "Labor Market Returns to Community College, mimeo May 1992.

C. Rouse, "Democratization or Diversification? The Effect of Junior Colleges on Educational Attainment, mimeo, November 1991.

S. Bronars and J. Grogger, "The Economic Consequences of Unwed Motherhood: Using Twin Births as a Natural Experiment," *AER*, December 1994.

iii. School Quality

* E. Hanushek, "The Economics of Schooling: Production and Efficiency in Public Schools," *Journal of Economic Literature*, September 1986.

* D. Card and A. Krueger, "Does School Quality Matter?: Returns to Education and the Characteristics of Public Schools in the United States," *Journal of Political Economy*, 1992.

* D. Card and A. Krueger, "School Quality and Black-White Relative Earnings: A Direct Assessment," *Quarterly Journal of Economics*, February 1992.

J. Altonji, "The Effects of High School Curriculum on Education and Labor Market Outcomes, NBER working paper #4142.

M. Boozer and C. Rouse, "Intraschool Variation in Class Size: Patterns and Implications," mimeo, December 1994.

A. Case and L. Katz, "The Company You Keep: The Effects of Family and Neighborhood on Disadvantaged Youths," NBER working paper #3705, May 1991.

III. Discrimination and Differentials by Race and Gender

* G. Becker, The Economics of Discrimination, 1971, 2nd Edition.

* R. Oaxaca, "Male-Female Wage Differentials in Urban Labor Markets," International Economic Review, October 1973.

* R. Wood, M. Corcoran, P. Courant, "Pay Differences Among the Highly Paid: The Male-Female Gap in Lawyers' Salaries," Journal of Labor Economics, July 1993.

* J. Heckman and B. Payner, "Determining the Impact of Federal Anti-discrimination Policy on the Economic Status of Blacks: A Study of South Carolina," American Economic Review, March 1989.

F. Blau and L. Kahn, "Rising Wage Inequality and the U.S. Gender Gap, AER, May 1994.

D. Card and T. Lemieux, "Changing Wage Structure and Black-White Differentials Among Men and Women: A Longitudinal Analysis," NBER working paper # 4755 May 1994.

D. Anderson and D. Shapiro, "Racial Differences in Access to High Paying Jobs and the Wage Gap Between Black and White Women," ILRR, January 1996.

K. Chay, "The Impact of Federal Civil Rights Policy on Black Economic Progress: Evidence from the Equal Employment Opportunity Act of 1972," Industrial Relations Section Working Paper # 346, 1995.

G. Cain, "The Economic Analysis of Labor Market Discrimination: A Survey," in The Handbook of Labor Economics, vol I, North Holland, 1986.

K. Arrow, "The Theory of Discrimination," in Ashenfelter and Rees (eds), Discrimination in Labor Markets, 1973, and the discussion by M. Reder.

F. Blau and L. Kahn, "The Gender Earnings Gap: Learning from International Comparisons," NBER working paper # 4224, 1993.

IV. Unions and Collective Bargaining

A. Background, Growth and Decline

O. Ashenfelter and J. Pencavel, "American Trade Union Growth: 1900-1960. Quarterly Journal of Economics, 1969.

H. Farber, "The Decline of Unionization in the United States: What Can be Learned from Recent Experience," Journal of Labor Economics, January 1990.

B. Modelling Union Behavior

H. Farber "The Analysis of Union Behavior." In Ashenfelter and Layard, editors, Handbook of Labor Economics, North Holland, Amsterdam, 1986.

R. Freeman and J.L. Medoff, What Do Unions Do?, Basic Books, 1984.

H.S. Farber, "Review of What Do Unions Do?," Journal of Economic Literature, December 1986.

C. Union Wage and Non-Wage Effects

D. Card, "The Effect of Unions on the Distribution of Wages: Redistribution or Relabelling?" Working paper 287, Industrial Relations Section, Princeton University, July 1991.

H. Gregg Lewis, Unionism and Relative Wages in the United States, University of Chicago Press, Chicago, 1963.

R. Freeman, "The Exit-Voice Tradeoff in the Labor Market: Unionism, Job Tenure, Quits, and Separations," Quarterly Journal of Economics, June 1980.

D. Dispute Resolution

i. Strikes

A. Rees, *The Economics of Trade Unions*, (Chicago: University of Chicago Press, 1977), ch. 2.

J. Tracy, "An Investigation in to the Determinants of U.S. Strike Activity," American Economic Review, June 1986..

ii. Arbitration

C. Stevens, "Is Compulsory Arbitration Compatible with Bargaining?," Industrial Relations, February 1966.

H. Farber and H. Katz, "Interest Arbitration, Outcomes, and the Incentive to Bargain," Industrial and Labor Relations Review, October 1979.

O. Ashenfelter, "Arbitrator Behavior," American Economic Review, May 1987.

O. Ashenfelter, J. Currie, H. Farber, and M. Spiegel, "An Experimental Comparison of Dispute Rates in Alternative Arbitration Systems," Econometrica, November 1992.

V. Program Evaluation

A. Experiments

i. Income Maintenance Experiments

R. Spiegelman and K. Yaeger, "Seattle and Denver Income Maintenance Experiments: Overview," Journal of Human Resources, Fall 1980.

O. Ashenfelter, "Non-parametric Estimates of the Labor Supply Effects of Negative Income Tax Programs," Journal of Labor Economics, January 1990 (part 2).

ii. Unemployment Insurance Bonus Experiment

B. Meyer, "What Have We Learned from the Illinois Reemployment Bonus Experiment?," Journal of Labor Economics, January 1996.

iii. Training Program

R. Lalonde, "Evaluating the Econometric Evaluations of Training programs with Experimental Data," American Economic Review, Sept 1986.

O. Ashenfelter, "Estimating the Effect of Training on Earnings," Review of Economics and Statistics, 1978

O. Ashenfelter and D. Card, "Using the Longitudinal Structure of Earnings to Estimate the Effect of Training Programs," Review of Economics and Statistics, 1985.

iv. Education

A. Krueger, "Experimental Estimates of Education Production Functions," mimeo, Princeton University, March 1998.

B. Natural Experiments

T. Besley and A. Case, "Unnatural Experiments? Estimating the Incidence of Endogenous Policies," NBER working paper no 4956.

A. Case and A. Deaton, "School Quality and Educational Outcomes in South Africa," mimeo, April 30, 1998.

E. Dufflo, "Evaluating the Schooling and Labor Market Consequences of a School Construction Program: An Analysis of the Indonesian Experience," mimeo, MIT, February 1998.

C. Other attempts at evaluation

A. Piehl and D. Kennedy, "Ceasefire? An Evaluation of the Boston Gun Project," mimeo, 1998.