

Econ. 886.01
Current Topics in Labor Economics--First Half

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This course surveys several topics, including labor demand, hiring and training costs, household allocation, habit formation, and a variety of issues related to labor market institutions. The purpose of this course is twofold: (1) to gain further expertise in reading papers and (2) to write one. We will work through some of the papers on the list in great detail. But sometimes we will practice the art of skimming, to get the gist of the paper quickly. Papers in the first category are marked with a (w) and those in the second are marked with an (s). The remainder are unmarked, and are meant to be read carefully.

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 40 percent of the final grade and the paper counts for half. The remaining 10 percent will be determined by a referee-report assignment and a class presentation. The paper should contain an empirical section with estimates from a microdata set. You will get more details about the requirements for the paper early in the semester.

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. Labor Demand and Hiring Costs

1. Oi, W. "Labor as a Quasi-Fixed Factor." *JPE*, Dec. 1962. (w)
2. Rosen, S. "Short-Run Employment Variation in Class I Railroads in the United States." *Econometrica*, Jul./Oct. 1968.
3. Welch, F. "Education in Production." *JPE*, Jan./Feb. 1970. (w)
4. Krueger, A. "How Computers Have Changed the Wage Structure: Evidence from Microdata, 1984-1989." *QJE*, Feb. 1993.
5. Hamermesh, D. "The Demand for Labor in the Long Run." *HLE*, chap. 8.

III. The Life-Cycle

Heckman, J. "A Life-Cycle Model of Earnings, Learning and Consumption." *JPE*, Aug. 1976. (w)

IV. Labor Market Institutions

1. Lazear, E. "Why is There Mandatory Retirement?" *JPE*, Dec. 1979. (w)
2. Carmichael, H. L. "Incentives in Academics: Why Is There Tenure?" *JPE*, June 1988. (s)
3. Lazear, E. "Pay Equality and Industrial Politics." *JPE*, June 1989. (s)
4. Kandel, E. and Lazear, E. "Peer Pressure and Partnerships." *JPE*, Aug. 1992. (s)
5. Bulow, J. and Summers, L. "A Theory of Dual Labor Markets with Applications to Industrial Policy, Discrimination, and Keynesian Unemployment." *JOLE*, Jul. 1986.
6. Goldin, C. "Monitoring Costs and Occupational Segregation by Sex: A Historical Analysis." *JOLE*, Jul. 1986.
7. Edward Lazear, "Labor Economics and the Psychology of Organizations," *Journal of Economic Perspectives*, Spring, 1991.

V. 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)

VI. Household Models and Private Transfers

1. Becker, G. "A Theory of Social Interactions." *JPE*, Nov./Dec. 1974.
2. McElroy, M. and Horney, J. "Nash-Bargained Household Decisions: Toward a Generalization of the Theory of Demand." *Int. Ec. Rev.*, June, 1981.
3. Lundberg, S. and Pollack, R. "Separate Spheres Bargaining and the Marriage Market." *JPE*, Dec. 1993
4. Tauchen, H., Witte, A. and Long, S. "Domestic Violence: A Non-random Affair." *Int. Ec. Rev.*, May 1991.
5. Cox, D. "Motives for Private Income Transfers." *JPE*, June, 1987.

VII. Job Matching

1. Johnson, W. "A Theory of Job Shopping." *QJE*, May, 1978.
2. Jovanovic, B. "Job Matching and the Theory of Turnover." *JPE*, Oct. 1979.
3. Mortensen, D. "Matching: Finding a Partner for Life or Otherwise." *American Journal of Sociology*, Supplement, 1988.

VIII. Some Recent Papers and Reviews

1. Gibbons, R. "Incentives and Careers in Organizations." NBER Working Paper no. 5705, August, 1996.
2. Prendergast, C. "What Happens Within Firms? A Survey on Empirical Evidence on Compensation Policies." NBER Working Paper no. 5802, October, 1996.
3. Lazear, E. "Performance Pay and Productivity." NBER Working Paper no. 5672, July, 1996.
4. Rosen, S. "Manufactured Inequality." NBER Working Paper no. 5846, December, 1996.