

BOSTON COLLEGE
Department of Economics

EC 885.01
Labor Market Analysis

READING LIST (Spring 98)

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This is the first part of a two course sequence in Labor Economics. The topics and some readings for the second part are also listed to give you a flavor for the material covered in the full course.

Labor Sequence--Both Parts I and Part II include a substantial empirical content. Students who think they may take the comprehensive in Labor Economics or other microeconomics field with an empirical component should take Ec 822 (Microeconometrics) concurrently.

Readings-- The reading material is primarily from journal articles which I will make available. The only book you should buy is:

Andrew Weiss Efficiency Wages

Course format-- The primary focus of the course is on teaching you the body of literature that any labor economist ought to know. There are, however, a more subtle set of skills necessary to writing a good dissertation. I will try to teach these skills through a set of exercises that should help you think and write like a professional economist. I will ask you to write referee reports on articles submitted for publication, draft sections of hypothetical papers and discuss papers that will be presented in the department seminar series. I will also present weekly reports on the progress (or lack of progress) I am making on several projects. This will hopefully, give you a better sense of how research progresses and why everything takes three times as long as you'd expect.

You should keep all written material that I hand back. At the end of the semester I will ask you to present a portfolio of these materials, which will then be graded.

Grades-- Grades will be based on the following

Mid-term	30%
Portfolio	30%
Final	40%

* Indicates the reading is optional.

I. Introduction

II. Labor Market Participation and Job Search

A. Analytical Model

- Mortensen, "Job Search and Labor Market Analysis," sections 1 and 2 in Handbook of Labor Economics, vol. 2, 1986
- Gottschalk, "The Impact of Taxes and Transfers on Job Search" JOLE 1988
- Albrecht and Axell, "An Equilibrium Model of Search Unemployment," JPE, 1984.
- *Lippman and McCall, "The Economics of Job Search: A Survey," Economic Inquiry, June 1976

B. Empirical--Duration Models

Econometrics

- Allison Event History Analysis
- Keifer, "Economic Duration Data and Hazard Functions," Journal of Economic Literature, June 1988

Empirical

- Wolpin, "Estimating a Structural Search Model" Econometrica 1987
- Devine and Kiefer "The Empirical Status of Job Search Theory" Labour Economics June 1993
- Jones and Kuhn "Mandatory Notice and Unemployment" JOLE Oct 1995
- *Gottschalk and Maloney, "Involuntary Terminations, Unemployment and Job Matching: A Test of Job Search Theory," JOLE, 1985
- * Devine and Keiffer Empirical Labor Economics, The Search Approach

III. Labor Supply and Demographic Choice

A. Static Analytical Model

1. Individual decision

- *Varian Ch. 3 (or other review of consumer theory)
- *Killingsworth, Labor Supply Ch. 1, 2.3-2.4

2. Family Decision

- Becker "A Theory of the Allocation of Time" EJ (1965)
- Gronau "Leisure, Home Production and Work" JPE (1977)
- Becker "Human Capital, Effort and the Sexual Division of Labor" JOLE (1985)
- Gronau "Home Production - A Forgotten Industry" REST (1980)
- Folbre "New Perspectives on Households and Economic Development"*
- *Killingsworth 2.1-2.2

3. Estimation

a. Theory

Heckman, "Sample Selection as a Specification Error" Econometrica, 1979

b. Empirical Results

Heckman "What Has Been Learned about Labor Supply in the Past Twenty Years?" American Economic Review May 1993

B. Inter-temporal Labor Supply

a. Theory

*Deaton and Muellbauer, Economics and Consumer Behavior, pp. 309-317

b. Empirical

MaCurdy, "An Empirical Model of Labor Supply in a Life Cycle Setting," JPE, 1981

*Heckman and MaCurdy, "A Life Cycle Model of Female Labour Supply," RESTUDIES, 1980

*Killingsworth 5.4, 5.7

C. Impact of Taxes and Transfers

1. Impact of Prices

Moffitt, "The Econometrics of Piecewise Linear Budget Constraints," Journal of Business and Economic Statistics (1986)

Moffitt, "Incentive Effects of the US Welfare System: A Review" Journal of Economic Literature March 1992

*Burtless and Hausman, "The Effect of Taxation on Labor Supply," JPE, 1978

*Moffitt, "Evaluating the Effects of Changes in AFDC: Methodological Issues and Challenges" (optional)

2. Modeling Stigma

Moffitt, "An Economic Model of the Welfare System," AER, 1983

Ashenfelter "Determining Participation in Income Tested Social Programs" JASA 1983

D. Some Demographic Decisions

Hoynes "Does Welfare Play any Role in Female Headship Decisions?" NBER Working Paper 5149

Hotz, McElroy and Sanders "The Costs and Consequences of Teenage Childbearing for Mothers" in Kids Having Kids

Moffitt "Welfare Effects on Female headship with Area Effects" JHR Spring 1994

Rosensweig "Welfare, Marital Prospects and Non-marital Childbearing" (mimeo).

IV. Labor Demand

A. Basic Theory of Labor Demand

Hamermesh, "The Demand for Labor in the Long Run," HLE, vol. 1
 Oi, "Labor as a Quasi-Fixed Factor," JPE 1962

B Effects of Minimum Wage (Seminar session--other articles will be assigned to each person)

Card and Krueger. "Minimum Wages and Employment: A Case Study of the Fast Food Industry in NJ and Pennsylvania" AER 1994
 Neumark and Wascher "Employment Effects of Minimum and Sub minimum Wage Laws" ILRR Oct. 1992

C. Effects of Unemployment Insurance and Worker's Compensation

Summers "Some Simple Economics of Mandated Benefits" AER May 1989
 * *Lang "The Incidence of an Employer Mandate"*

D. Job Matching**1 Theory**

Jovanovic "Job Matching and the Theory of Turnover" JPE 1979
 Jackman, Layard, and Savouri "Mismatch: A Framework for Thought" in
Mismatch and Labour Mobility ed Schiappo

2. Empirical

Murphy and Topel "The Evolution of Unemployment in the US" NBER Macroeconomics Annual 1987
 Abraham "Mismatch and Labour Mobility: Some Final Remarks" in
Mismatch and Labour Mobility ed. Schiappo

E. Earnings Dynamics

Lillard and Willis "Dynamic Aspects of Earnings Mobility" Econometrica March 79
 Moffitt and Gottschalk "Trends in the Autocovariance Structure of Earnings in the US" memo

V. Economics of Discrimination**A. Theory**

Cain, "The Economic Analysis of Labor Market Discrimination," Handbook of Labor Economics vol. 1 to p.731
Loury (to be added)
 Aigner and Cain, "Statistical Theories of Discrimination in the Labor Market," ILRR 1977
 *Becker, Economics of Discrimination

B. Empirical

Heckman and Payner "Determining the Impact of Federal Anti discrimination Policy on the Economic Status of Black Americans" AER March 1989
 Kenny and Wissoker "An Analysis of the Correlates of Discrimination" Urban Institute 1993
 Neal and Johnson "The Role of Pre-market Factors in Black White Wage diff" JPE forthcoming

Goldin and Rouse-- "Orchestrating Impartiality: The Impact of "Blind" Auditions on Female Musicians" NBER Working paper #3376

VIII. Poverty, Inequality and Mobility

Measures and Trends

Gottschalk "Inequality, Income Growth and Mobility: the Basic Facts".
Journal of Economic Perspectives, Spring 1997

Gottschalk and Smeeding "Cross-National Comparisons of Earnings and Income Inequality" Journal of Economic Literature, June 1997

Causes of Changes in Inequality and Poverty

- Katz and Murphy. 1992. "Changes in Relative Wages, 1963--1987: Supply and Demand Factors," Quarterly Journal of Economics 107 (February), 35--78.
- Gottschalk and Joyce "Cross-national Differences in the Rise in Earnings Inequality-- Market and Institutional Forces" Review of Economics and Statistics (forthcoming)
- Gottschalk and Danziger, "A Framework for Evaluating the Effects of Economic Growth and Transfers on Poverty" AER 1985
- Burtless "International Trade and the Rise in Earnings Inequality" Journal of Economic Literature June 1995

VI. Imperfect Information and Wage Determination

Efficiency Wages

Weiss Efficiency Wages

Signaling

Spence "Job Market Signaling" QJE Aug. 1973

Compensation Schemes

- Gibbons and Murphy "Relative Performance Evaluation of Chief Executive Officers" ILRR Feb. 1990
- Rosen "The Economics of Superstars" AER Dec 81
- Rosen "Prizes and Incentives in Elimination Tournaments" AER Sept. 1986
- Lazear "Why is there Mandatory Retirement?" JPE Dec. 1979

*******End of Labor I, Start of Labor II*******

VII. Human Capital

A. Human Capital Theory

- Mincer, Schooling Experience and Earnings, Ch. 1-2
- Ben-Porath, "The Production of Human Capital and the Life Cycle of Earnings," JPE, 1967
- Becker and Tomes "An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility" JPE 1979
- *Lazear, "Why is There Mandatory Retirement?" JPE 1979

B. Empirical

- Willis, "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions," HLE Vol. 1, Ch. 10
- Willis and Rosen, "Education and Self-Selection," JPE 1979
- Heckman (to be added)
- Murnane (to be added)
- Schooling and Earnings?" QJE 1991 vol. 106 979-1014.

C. Integration of Human Capital and Labor Supply

Heckman, "A Life cycle Model of Earnings, Learning and Consumption," JPE, 1976

*Weiss, "The Determinants of Life cycle Earnings," HLE

D. Evaluating Training Programs

Moffitt "Symposium on the Econometric Evaluation of Manpower Training Programs: Introduction" JHR 1987

Burtless and Orr, "Are Classical Experiments Needed for Manpower Policy?" JHR 1986

Heckman and Robb "Alternative Methods for Evaluating the Impact of Interventions," Journal of Econometrics 1985

*LaLonde "Evaluating the Econometric Evaluations of Training Programs with Experimental Data" AER 1986

*Conlisk "Design Model Issues in Social Experimentation" JHR 1986

Natural and unnatural experiments

VIII. Intergenerationa Transfers

IX. Equalizing Wage Differentials

XI. Impact of Immigration

XII. Unions, Bargaining and Strikes