

**Economics 750**  
Labor Economics  
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## Course Description

The goal of this course is to synthesize theory, econometrics, and empirical work in labor economics. Topics will include the Roy model, equalizing differentials, human capital, search, labor market dynamics, and schooling.

Evaluation will be based on homeworks (35% and a research project 65%). You are expected to turn in a 20-30 page progress report describing an *original* project. You can work in teams of up to 2. Please meet with me at least two times over the semester so we can discuss your progress.

## Topics

Here is a list of topics and papers. In some cases we will study the paper explicitly. In other cases the reference is for background reading if you are interested.

### 1. The Roy Model

- A. Roy, "Some Thoughts on the Distribution of Earnings," *Oxford Economic Papers*, 1953
- J. Heckman and C. Taber, "The Roy Model," forthcoming in the *New Palgrave Dictionary of Economics*, 2008
- J. Heckman and B. Honore, "The Empirical Content of the Roy Model," *Econometrica*, 1990

### 2. The Compensating Differentials Model,

- S. Rosen, "The Theory of Equalizing Differences," in Ashenfelter and Layard (eds.), *Handbook of Labor Economics Vol. 1*

### 3. Human Capital

- G. Becker, Human Capital, 1975
- R. Willis, "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions," in Handbook of Labor Economics.

#### 4. Returns to Schooling

- Willis, Robert J. and Sherwin Rosen (1979), "Education and Self-Selection." Journal of Political Economy 87, October, Special Issue.
- Card, D., "Returns to Schooling" Handbook of Labor Economics, 1999.
- Taber, C., "The Rising College Premium in the Eighties: Return to College or Return to Ability?," Review of Economic Studies, 2000.
- Cameron, S., and Taber, C. "Borrowing Constraints and the Returns to Schooling" JPE Feb, 2004.

#### 5. Ben-Porath Model

- Ben-Porath, Y., "The Production of Human Capital and the Life Cycle of Earnings," JPE, 1967.
- Weiss, Yoram, "The Determination of Life Cycle Earnings: A Survey", In Handbook of Labor Economics. O. Ashenfelter and R. Layard, eds., 1986

#### 6. Search Models

- Burdett, K. and D. T. Mortensen (1998), "Wage differentials, employer size, and unemployment," *International Economic Review* 39(2), 257-273.
- Cahuc, C., F. Postel-Vinay, and J.-M. Robin (2006), "Wage bargaining with on-the-job search: Theory and evidence," *Econometrica* 74 (2), 323-364.
- Postel-Vinay, F. and J.-M. Robin (2002), "Equilibrium Wage Dispersion with Worker and Employer Heterogeneity," *Econometrica*, 70 (6), 2295-2350.
- Mortensen, D. T., and C. Pissarides (1994), "Job Creation and Job Destruction in the Theory of Unemployment," *Review of Economic Studies*, 61(0), 397-415.

#### 7. Learning About Match Quality

- Jovanovich, B, "Job matching and the theory of turnover", Author = Jovanovic, B., *The Journal of Political Economy*, No. 5 1979, 972-990.
- Nagypal, E., "Learning by Doing vs. Learning About Match Quality: Can We Tell Them Apart?" *Review of Economic Studies*, 2007, pp. 537-566.
- Neal, D. (1999). The complexity of job mobility among men. *Journal of Labor Economics*.

#### 8. Multi-Dimensional Human Capital

- Sanders, Carl and Christopher Taber, “Lifecycle Wage Growth and Heterogeneous Human Capital,” *Annual Review of Economics*.
- Altonji, J. and R. Shakotko. “Do Wages Rise with Job Seniority?” *Review of Economic Studies* (July 1987)
- Topel, Robert “Wages Rise with Job Seniority,” *JPE* 1991.
- Kambourov, G. and Manovskii, I. (2009). Occupational specificity of human capital. *International Economic Review*, 50(1):63–115.
- Pavan, R. (2011). Career choice and wage growth. *Journal of Labor Economics*.
- Poletaev, M. and Robinson, C. (2008). Human capital specificity: evidence from the dictionary of occupational titles and displaced worker surveys, 1984-2000. *Journal of Labor Economics*, 26(3):387–420.
- Gathmann, C. and Schoenberg, U. (2010). How general is human capital? a task-based approach. *Journal of Labor Economics*, 28(1):1–50.
- Yamaguchi, Shintaro. 2012, “Tasks and Heterogeneous Human Capital,” *Journal of Labor Economics*, 30(1): 1-53.

## 9. Changes in Wage Structure

- D. Acemoglu and D. Autor, “Skills, Tasks and Technologies: Implications for Employment and Earnings,” *Handbook of Labor Economics*, 2011
- Firpo, S., N. Fortin, and T. Lemeieux, 2015, “Occupational Tasks and Changes in the Wage Structure,” unpublished manuscript.
- Autor, David H., and David Dorn, 2013, “The Growth of Low-Skill Service Jobs and the Polarization of the US Labor Market,” *American Economic Review*, 103(5): 1553-97.
- Autor, David H., Katz, Lawrence F. and Melissa S. Kearney, 2006, “The Polarization of the U.S. Labor Market,” *American Economic Review*, 96(2), 189-194.
- Katz, Lawrence F. and Kevin M. Murphy (1992), “Changes in Relative Wages, 1963-1987: Supply and Demand Factors,” *Quarterly Journal of Economics*, 117(5): 914-940.

## 10. Putting it All Together

- Heckman, J., Lochner, L., and Taber, C., “Explaining Rising Wage Inequality: Explorations with a Dynamic General Equilibrium Model of Labor Earnings with Heterogeneous Agents,” *Review of Economic Dynamics*, 1998.
- Keane, M. and K. Wolpin, “The Career Decisions of Young Men,” *JPE* 1997.
- Imai, S. and M. Keane, “Intertemporal Labor Supply and Human Capital Accumulation,” *IER*, 2004, 845-872.
- Taber and Vejlín, “A Roy/Search/Compensating Differentials Model of the Labor Market”

- Lee, D. and K.I. Wolpin (2006) “Intersectoral Labor Mobility and the Growth of the Service Sector,” *Econometrica* , Vol. 74, No. 1, 1–46.

## 11. Private Schools

- Evans, William N., and Robert M. Schwab, “Finishing High School and Starting College: Do Catholic Schools Make a Difference?” *Quarterly Journal of Economics*, 110 (1995), 947-974.
- Neal, Derek, “The Effects of Catholic Secondary Schooling on Educational Attainment,” *Journal of Labor Economics* 15 (1997), 98-123.
- Altonji, Joseph G., Todd E. Elder, and Christopher R. Taber, “An Evaluation of Instrumental Variable Strategies for Estimating the Effects of Catholic Schooling,” forthcoming, *Journal of Human Resources*.
- Altonji, Joseph G., Todd E. Elder, and Christopher R. Taber, “Selection on Observed and Unobserved Variables: Assessing the Effectiveness of Catholic Schools,” forthcoming, JPE.
- Rouse, C., 1998, “Private School Vouchers and Student Achievement: an Evaluation of the Milwaukee Parental Choice Program,” *Quarterly Journal of Economics*.

## 12. Education Production Functions

- Hanushek, Eric, 1986, “The Economics of Schooling: Production and Efficiency in Public Schools,” *Journal of Economic Literature* 24(3).
- Card, David, and Alan Kreuger, “Does School Quality Matter: Returns to Education and the Characteristics of Public Schools in the United States,” JPE, 1992.
- Krueger, Alan, 1999, “Experimental Estimates of Education Production Functions,” *Quarterly Journal of Economics*, 114(2).
- Angrist, Joshua, and Victor Lavy, 1999, “Using Maimonides Rule to Estimate the Effect of Class Size on Scholastic Achievement,” *Quarterly Journal of Economics*, 114(2).