Course description: This is the first course in the two-semester graduate labor economics sequence. This sequence introduces students to major topics in the field and delves into numerous examples of how economic theory and econometric analysis can advance our understanding of labor market outcomes.

While there is no textbook for the course, you are expected to read the bolded articles in preparation for lecture and discussion.

Another useful guide for empirical work is the recent book by Angrist and Pischke, Mostly Harmless Econometrics.

Course grades will be based on a number of assignments, each of which is intended to prepare students for active participation in research:

- **In class participation/paper presentations (15%)**

- **2 referee reports (15%)**: Reports will be based on works-in-progress, not published papers. These papers will be selected and announced during the course of the quarter, and reports will be due two weeks after the announcement. A good report will summarize the main approach and contribution of the paper, and then provide a critical assessment of the work. Referee reports should be around 2 pages, single spaced.

- **Research Proposal (35%)**: Each student will write a 5-10 page (double-spaced) proposal for a research project. This proposal should clearly explain: (1) the research question to be investigated; (2) why this question is interesting and/or important; and (3) the methodology that will be used to answer the question. The proposal should briefly discuss the relevant academic literature and how the research will contribute to this literature, and proposals for empirical research should identify potential data sources. Finally, the proposal should indicate problems that would need to be overcome in carrying out the research. Typically, successful proposals are narrow in focus and relate closely to previous work. These proposals are due in my office by 3:00 p.m. on Friday, December 3. In addition, each student will make an oral presentation of his proposal the last week of the semester.

- **Final Exam (35%)**
You are also **strongly** encouraged to attend the Applied Microeconomics seminar. Many eminent people will be giving talks about their work in progress. Regular attendance is the best way to find out what’s hot and what’s not, and to see how successful economists approach empirical problems.

Topics Covered in Class (Preliminary):

I. Wage Determination
   a. Human Capital and Training
   b. Returns to Education
   c. School Quality
   d. Signaling
   e. Efficiency Wage
   f. Compensating Wage Differentials

II. Wage Structure
   a. Inequality: Decompositions
   b. Skill-biased Technological Change
   c. Group Differences
   d. Discrimination

III. Intergenerational Mobility

IV. Social Interactions
I. Wage Determination

A. Human Capital and Training


**B. Returns to Education**


**C. Education and the Effect of School Quality**


Rockoff, Jonah, “The Impact of Teachers on Student Achievement: New Evidence from Panel Data,” Harvard University mimeo.


Hoxby, Caroline M., “Does Competition Among Public Schools Benefit Students and


D. Market Signaling


E. Efficiency Wages


**F. Compensating Differentials**


**II. Wage Structure**

**A. Inequality/Decompositions**


Lemieux, Thomas, "Increasing Residual Wage Inequality: Composition Effects, Noisy Data, or Rising Demand for Skill?" *The American Economic Review*, 2006, pp. 1-64


**B. Skill-Biased Technological and Organizational Change and Inequality**


Krueger, Alan, “How Computers Have Changed the Wage Structure: Evidence from Micro Data,”


**Institutional explanations for changes in the wage structure**


**C. Group Differences**

**Male/Female Differences**


**Black/White Differences**


D. Discrimination

Theory


Measurement


Black, Sandra E. and Philip E. Strahan, “The Division of Spoils: Rent-Sharing and


### III. Intergenerational Mobility


Evidence from the United States (and Canada)


**B. Sacerdote, “What Happens When We Randomly Assign Children to Families?” NBER WP 10894, Nov. 2004.**

Comparative Evidence: Across Countries and Over Time

*Historical Estimates*


*Evidence from Europe*


**IV. Social Interactions and Neighborhood Effects**


Robert Moffitt, “Policy Interventions, Low-Level Equilibria, and Social Interactions”
http://www.econ.jhu.edu/People/Moffitt/


Economic and econometric frameworks:


http://www.econ.berkeley.edu/~bgraham/ExcessVarianceRevision_06jul06_Letter.pdf


Neighborhoods


Networks


Group Formation


Peers at school


Peers at work
