LABOR ECONOMICS 250C, SPRING 2013
PROFESSORS KATE ANTONOVICS AND JULIAN BETTS
COURSE OUTLINE

The course will provide a blend of theoretical labor economics and applied research.

We will cover five broad themes:

I. Race and Gender Inequality, Discrimination
II. Wage and Employment Dynamics
III. The Supply Side of the Labor Market
   1) The Quantity of Labor Supplied
   2) The Quality of Labor Supplied: Human Capital
      a) The Economics of Education
      b) On-the-Job Training and Government Training Programs

Professor Antonovics will teach topics I and II during weeks 1-4.5 (April 2-April 30). Professor Betts will teach Topic III during weeks 5.5-9 (May 2-23). Betts will need to reschedule the May 23 class, and will do so by email once we know for certain who is enrolling in the class. Student presentations will take place during class time in week 10.

Requirements for the Course/Schedule
To do well in this course you should have completed the microeconomics and econometrics (A-C) courses. It would be helpful if you have already taken Labor Economics 250A/B, because there we covered many of the empirical methods that we will use in this course. Of these 250A is the most important. If you are unsure, please consult one of the past 250A course syllabi, at http://www.econ.ucsd.edu/~jbetts/Grad%20Courses/250A_syllabus_fall_2012FINAL.pdf and discuss with either of us if there are holes in your knowledge of the relevant empirical methods.

You are required to: write your own original term paper, on a subject in labor economics of your choosing; and complete one final. In addition, we will ask you to present and critique two recent papers in an informal setting; You are also expected to attend and participate actively in all classes.

Here is some advice on finding a topic for your term paper. Perusing recent issues of the Journal of Labor Economics, the Journal of Human Resources, or general interest journals such as the AER, JPE, Econometrica, R.E.Stat etc. may give you some ideas on topics. NBER working papers provide another source. The reading list for this course might also help you. Second, if you already have a general area in mind (immigration, labor supply, economics of education etc.) but not a specific topic, then one of the more difficult challenges is to whittle your interest down to something more specific. The Handbook of Labor Economics provides literature reviews that may help you see which areas are overly well-trodden and which are relatively sparsely researched. A third approach is to flip through the Statistical Abstract of the United States or related government publications such as the Digest of Education Statistics – sometimes seeing
what sorts of data the government collects and patterns in data can get your creative juices flowing. Fourth, talk to both of us about your ideas. This is why we are here!

Evaluation

5% A paper proposal. Please email both of us a one to three page proposal with a few references by Thursday of Week 2 (April 11). (Feel free to consult either of us informally before that time.) We offer you three options for this paper. Consider in weeks 1 and 2 which of these options will be most helpful to you as you seek to complete your Ph.D.

1) Come up with a proposal for an original empirical paper. In week 2 please submit to us one or two ideas for original papers. We will work with you to decide which to pursue. The final paper should be a proposal for an original empirical paper, which states how this paper would contribute to the literature, devises an empirical strategy that is (ideally) based in theory, and discusses data sources that you could use. Ideally, your proposal would be of sufficient quality that you could submit it as a grant proposal to an outside organization. (We do not require submitting a grant application, but encourage you to think along these lines. We will work with you if you decide to follow this route.)

2) Alternatively you could initiate or continue an applied (or a theoretical) project. Some of you may have initiated more empirically (or theoretically) oriented projects in 250A, 250B, 220F, or other graduate courses. You are welcome to continue that work in this course, but you must clear this with us and provide us with the final version you prepared for those classes, along with a clear statement of how you will extend that analysis. Note that if the empirical project is limited in scope it may be conceivable for you to start from scratch, develop a plan, acquire and clean data, and perform the empirical analysis. (This goes beyond option 1 above.) We certainly would welcome this but do talk to us first so that we can help judge whether this sounds feasible over the 10 weeks of quarter.

3) Alternatively write a 10-15 page literature review of a topic in labor economics. This literature review MUST also include thoughtful suggestions for future research. This latter statement is particularly true if you would like to extend a lit review from an earlier course. You would want to come up with a more detailed and focused lit review that builds upon the original paper and which discusses new paper ideas in detail.

35% A final draft of your paper. Due in class on Thursday of week 10 (June 6). Please bring two copies. We also would appreciate receiving a copy by email. There will be no extensions beyond the end of quarter, and papers submitted after June 6 will lose 5 percentage points (out of 35) per day late.

10% A presentation of your paper: A 15-minute presentation of your paper in the last week of class (Tuesday June 4 and Thursday, June 6). You should present your question, the motivation for your question, the theoretical model and/or econometric technique you will use to answer this question, the data you will use (if you’re doing an empirical project), any preliminary results, and how you expect your results to shed light on the question you initially posed. After your presentation, there will be 10 minutes for discussion.
10% Two informal presentations of other research. One will be during Professor Antonovics’ section of the course and one during Professor Betts’ section of the course.

For Antonovics’ section, presentations will take place in class on April 25 and April 30. Please email Kate by Thursday, April 11 with the title of the paper you would like to present. You can choose from the following papers:


“Law School Admissions Under the UC Affirmative Action Ban,” by Danny Yagan, working paper. [Google it]

For Betts’ section, you will present a recent NBER working paper of your choice (but in the area of the economics of education or labor supply). Given the large number of students taking 250C, please pick a partner with whom you will co-present the paper. Please send Julian
email by Monday, April 29 with the titles and WP numbers of a few papers you would like to present in class, and the name of your partner. Feel free to consult with Professor Betts in advance. Rank order the papers if you select more than two, and we can jointly decide which might be the most appropriate. We will do the presentations during week 9 at a time to be determined.

One week before the scheduled presentations, please email the paper to all classmates and to either Antonovics or Betts (depending on who’s teaching), or give all of us a paper copy. In your presentation, you should plan to present the paper as if it were “yours” and offer constructive criticism and ideas for how you might extend the work. A few pages of handouts would be useful. A rough guideline for the talk might be 15 minutes for presentation of the paper, and a 5-minute discussion of your “referee comments”, and 5 minutes for questions. These are meant to be informal presentations, and there may be tea and coffee and/or lunch involved.

40% A final on Antonovics’ and Betts’ section during finals week.

Textbook:

Office Hours: Julian will have office hours Wednesdays 2-3:30 in weeks 6-10. Any other time is fine as well, including weeks 1-5, although it is best to set up something by email to make sure he is around and not in a meeting. For weeks 1-5 Julian will not hold regular office hours but feel free to set up meetings with him by email during this time. Kate’s office hours will be on Wednesdays 3:30-4:30pm. If you’d like to meet at a different time, just send Kate an email.

Reading List: The list is subject to negotiation. The (*) means priority reading. We will also try to give you some guidance as to which papers are the most important.
I. Race and Gender Inequality

Basic Facts About Race and Gender Inequality


Discrimination—Theory


_Discrimination—Empirical Evidence_


**II. Wage and Employment Dynamics**


**Human Capital Models**


**Models of Learning and Sorting**


**Matching Models**


**Insurance, Agency & Tournaments**


**Empirical Work on Wage & Employment Dynamics**


**III. The Supply Side of the Labor Market**

**III.1) The Quantity of Labor Supplied**


  i) Static Labor Supply -- Theory and Estimation


ii) Dynamic Labor Supply -- Theory and Basic Estimation


iii) Using Non-linear Budget Constraints Induced by Taxes and Subsidies to Estimate Labor Supply Responses


iv) Pensions and Retirement


v) Health Insurance and Labor Supply


I will distribute notes on these topics to supplement what you may have studied in public economics. We may discuss briefly in class, but this will not be on the final.
III.2) The Quality of Labor Supplied: Human Capital

a) The Economics of Education

i) Human Capital Theory


ii) Econometric Techniques For Estimating The Returns To Education

a) Standard Approach

b) Heckman Selectivity Correction

Mincer, Jacob (1974), Schooling, Experience and Earnings, New York: Columbia University Press for NBER.


c) IV Methods


d) Fixed Effect Methods


* Ashenfelter, Orley and Alan Krueger (1994), "Estimates of the Economic Return to Schooling from a New Sample of Twins", American Economic Review (December). (Note: This paper uses both instrumental variables and fixed effects.)


iii) Human Capital Versus Signaling

a) A Review of the Signaling Model


b) Empirical Evidence


iv) The Social Returns to Education and Education Externalities


v) The Determinants Of School Quality

a) Literature Review on School Inputs and Student Outcomes

Basic Literature Review


More Recent Evidence


Betts, Julian R., Andrew Zau and Lorien Rice (2003), Determinants of Student Achievement: New Evidence from San Diego, San Francisco: Public Policy Institute of California.


See also the November 1996 issue of *Review of Economics and Statistics* for a Symposium on School Quality and Educational Outcomes.


b) The Labor Market for Teachers


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c) Peer Groups and Ability Grouping


(This paper has as much to say about peers as it does about class size.)


d) School Choice and School Competition


c) School Standards and Accountability

**Theoretical Work on Standards**


**Empirical Evidence**


v) Postsecondary School Quality


b) On-the-Job Training and Government Training Programs

i) Private Sector Training


ii) Government Training Programs


