LABOR ECONOMICS 250C, SPRING 2017
PROFESSORS KATE ANTONOVICS AND JULIAN BETTS

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. Intergenerational Mobility
III. Wage and Employment Dynamics
IV. The Supply Side of the Labor Market
   1) The Quantity of Labor Supplied
   2) The Quality of Labor Supplied: Human Capital and the Economics of Education

Professor Antonovics will teach topics I - III during weeks 1-5 (April 6 to May 4 (first half of class)). Professor Betts will teach Topic IV during weeks 5-9 (May 4 (second half of class) to June 1). During the last week of class (June 8), you will present your research papers.

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, 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 Friday of Week 2 (April 14). (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 on the last day of class (June 8). 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 8 will lose 5 percentage points (out of 35) per day late.

10% A presentation of your paper: A 20-minute presentation of your paper in the last week of class (June 8). 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 27. *Given the large number of students taking 250C, please pick a partner with whom you will co-present the paper.* Please email Kate by Friday, April 14 with the title of the paper you would like to present. You will be presenting one of the papers below related to ability grouping in grades K-12. If there’s another paper you know of related to this topic that you would like to present, then please come talk to me.


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. The exception is the paper by Heckman et al. (2010) which is a fairly short paper and can be presented by just one person.*
You will be presenting papers related to the economics of education, and can choose any paper on the syllabus with a ➤ next to it. Please send Julian email by Friday, May 5 with a ranking of the papers you would like to present in class, and the name of your partner. Feel free to consult with Professor Betts in advance. We may do the presentations on economics of education in class one by one or, if we can find a time all of us can meet, we could cover all of these in one or two longer sessions towards the end of quarter.

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 (June 13, 3-6 PM).

Textbook:

Office Hours: Julian will have office hours Thursdays 10:30-12 in weeks 5-10. Any other time is fine as well, including weeks 1-4, although it is best to set up something by email to make sure he is available. For weeks 1-4 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 Tuesdays from 1:30-2:30pm.

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. Intergenerational Income Mobility

* Measuring Intergenerational Mobility


* Causes of Intergenerational Correlations


**III. Wage and Employment Dynamics**


**Human Capital Models**


**Models of Learning and Sorting**


**Matching Models**


**Insurance, Agency & Tournaments**


**Empirical Work on Wage & Employment Dynamics**


IV. The Supply Side of the Labor Market
   1) The Quantity of Labor Supplied

   i) The Basics and Review Articles


   ii) Static Labor Supply -- Theory and Estimation


   iii) Dynamic Labor Supply -- Theory and Basic Estimation

  a) Structural Models Not Using Natural Experiments


** Models Using Natural Experiments


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


v) Pensions and Retirement


vi) 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 be optional reading.
2) The Quality of Labor Supplied: Human Capital and the Economics of Education
   
   i) Human Capital Theory


   ii) Econometric Techniques For Estimating The Returns To Education
   
   a) Standard Approach


   b) Heckman Selectivity Correction


   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) Estimates of The Returns To Early Childhood Education


iv) Human Capital Versus Signaling

a) A Review of the Signaling Model


b) Empirical Evidence


v) 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


c) Peer Groups and Ability Grouping


Lazear, Edward (2001), “Educational Production”, *Quarterly Journal of Economics*, August (116:3). This paper is also available as NBER Working Paper 7349. (This paper has as much to say about peers as it does about class size.)


d) School Choice and School Competition


e) School Standards and Accountability

Theoretical Work on Standards


Empirical Evidence


