

University of Toronto
Department of Economics
Winter 2019

Eco 2801: Labor and Human Resources II

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ECO2801 is a core course in labour economics. The course is pitched at both MA and PhD students. ECO 2800 is not a prerequisite for ECO2801.

Grading scheme: Two choices:

1. 50% on problem sets. 50% on a final.
2. 30% problem set. 30% final. 40% paper proposal. The proposal is due by the end of the term. The topic must be agreed between you, the student, and me. This choice is an option for PhD students who want to use it for their 2nd year paper proposal. You can write a second year proposal on labor topics without using this option.

Students are encouraged to work on the problem sets in study groups. Each group can submit one answer.

Lecture notes and course link:

<https://www.dropbox.com/sh/ug2ysbnmz1dhrmy/AACJtoKPi4E0PzFTvtWaKK4Ta?dl=0>

There is a subfolder of MIT lecture notes. These notes are excellent and comprehensive. You should read them carefully.

Econometric reference:

Wooldridge, Jeffrey Marc. *Econometric Analysis of Cross Section and Panel Data*" MIT press.

Economic references:

Pierre Cahuc, Stepane Carcillo and Andre Zylberberg (2014) , *Labour Economics*, MIT Press. 2nd ed.

The above book has most of the algebra for many standard labor economic models. So it's a useful reference especially if you want to step by step algebra.

Deaton, A., and J. Muellbauer. 1980. *Economics and consumer behavior*. Cambridge Univ Pr.

It's the most beautiful and simple book on demand theory (including labor supply) that I know. It is written with empirical work in mind. The algebra is also in Cahuc but the economics is not so clear there.

The rest of the books are classics which you should be familiar with.

Becker, G. S. 1991. *A Treatise on the Family*. Harvard University Press.

---. 1993. *Human capital: A theoretical and empirical analysis, with special reference to education*. University of Chicago Press.

Ashenfelter, Orley and David Card (1999), ed., *Handbook of Labor Economics*, Vols. 3A-3C, North Holland.

Rosenzweig, Mark and Oded Stark (1997), *Handbook of Population and Family Economics*, Vol. 1A, North Holland.

Goldin, C. *Understanding the Gender Gap: An Economic History of American Women, 1990*. Oxford University Press.

*Required readings

Single agent decision making

Choices with inelastic labor supply

1. * Schooling models lecture.

*Oster, Emily, Ira Shoulson, and E. Dorsey. 2013. "Limited Life Expectancy, Human Capital and Health Investments." *The American Economic Review* 103 (5): 1977-2002.

*Clark, Damon and Paco Martorell. 2014. "The Signaling Value of a High School Diploma." *Journal of Political Economy* 122 (2): 282-318.

*Willis, Robert J. and Sherwin Rosen. 1979. "Education and Self-Selection." *The Journal of Political Economy*: S7-S36.

*Heidi Williams lecture, "The Roy Model".

*Barth, Daniel, Nicholas W. Papageorge, and Kevin Thom. *Genetic Endowments and Wealth Inequality*. No. w24642. National Bureau of Economic Research, 2018.

2. *On-the-job training: general human capital lecture.

* Becker. Human Capital.

*Ben-Porath, Yoram. 1967. "The Production of Human Capital and the Life Cycle of Earnings." *The Journal of Political Economy* 75 (4): 352-365.

*Angrist, Joshua D. 1990. "Lifetime Earnings and the Vietnam Era Draft Lottery: Evidence from Social Security Administrative Records." *The American Economic Review*: 313-336.

*Bailey, Martha J. 2006. "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life Cycle Labor Supply." *The Quarterly Journal of Economics*: 289-320.

Baker, M., and G. Solon. 2003. Earnings dynamics and inequality among Canadian men, 1976-1992: Evidence from longitudinal income tax records. *JOLE* 21, no. 2: 289–321.

Fatih Guvenen "Learning Your Earning: Are Labor Income Shocks Really Very Persistent?" *AER*, June 2007, Vol. 97, No. 3, pp. 687-712.

*Heidi Williams lecture, "Statistical discrimination and learning".

*Altonji, Joseph G., and Robert A. Shakotko. "Do wages rise with job seniority?." *The Review of Economic Studies* 54.3 (1987): 437-459.

*Altonji, Joseph and Charles Pierret. 2001. "Employer Learning and Statistical Discrimination." *The Quarterly Journal of Economics* 116 (1): 313-350

*Cunha, Flavio and James Heckman. 2007. "The Technology of Skill Formation." *The American Economic Review* 97 (2): 31-47.

Gilraine, Michael. "School accountability and the dynamics of human capital formation." URL: <http://tinyurl.com/Gilraine-JMP> (2016).

Angrist, Joshua D. and William N. Evans. 1998. "Children and their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size." *The American Economic Review* 88 (3): 450-477.

*Lundborg, Petter, Erik Plug, and Astrid Würtz Rasmussen. 2017. "Can Women Have Children and a Career? IV Evidence from IVF Treatments." *American Economic Review*, 107(6): 1611-37.

*Azmat, Ghazala, and Rosa Ferrer. "Gender gaps in performance: Evidence from young lawyers." *Journal of Political Economy* (2017).

II. Choices with elastic labor supply

3. Static model of labor supply lecture

*Deaton, A., and J. Muellbauer. Chapter 2, 4.

Stern, Nicholas (1986) "On the specification of labour supply functions" In: Blundell, Richard and Walker, Ian, (eds.) *Unemployment, search and labour supply*. Cambridge University Press, Cambridge, UK, pp. 143-189. ISBN 0521320275

The above is a list of static labor supply models with properties. So it's a useful place to start if you need a labor supply function.

Altonji, J. G, and C. H Paxson. 1988. Labor supply preferences, hours constraints, and hours-wage trade-offs. *Journal of labor economics*: 254–276.

Mincer, J. 1962. Labor force participation of married women. *Aspects of labor economics* 10: 1949–1999.

Acemoglu, D., D. H Autor, and D. Lyle. 2004. Women, war, and wages: the effect of female labor supply on the wage structure at midcentury. *JPE* 112, no. 3: 497–551.

Heidi Williams lecture, "Female labor force participation".

4. Frisch labor supply and intertemporal labor supply lecture

*Bianchi, Marco, Björn R. Gudmundsson, and Gylfi Zoega. 2001. "Iceland's Natural Experiment in Supply-Side Economics." *American Economic Review* 91 (5): 1564-1579.

*Oettinger, Gerald S. 1999. "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors." *Journal of Political Economy* 107 (2): 360-392.

*Altonji, Joseph G. 1986. "Intertemporal Substitution in Labor Supply: Evidence from Micro Data." *Journal of Political Economy*: S176-S215.

5. *Incentives lecture

*LAZEAR, EDWARD P. 2000. "Performance Pay and Productivity." *The American Economic Review* 90 (5): 1346-1361.

*Kaur, Supreet, Michael Kremer, and Sendhil Mullainathan. "Self-control at work." *Journal of Political Economy* 123.6 (2015): 1227-1277.

*Macartney, Hugh. "The dynamic effects of educational accountability." *Journal of Labor Economics* 34.1 (2016): 1-28.

*Daron Acemoglu, "Moral hazard and career concerns".

Lectures on the family

6. *Lecture on the quantity and quality of children.

*Jones, Larry E., Alice Schoonbroodt, and Michele Tertilt. 2008. *Fertility Theories: Can they Explain the Negative Fertility-Income Relationship?*. NBER working paper.

* Bailey, Martha J. and William J. Collins. 2011. "Did Improvements in Household Technology Cause the Baby Boom? Evidence from Electrification, Appliance Diffusion, and the Amish." *American Economic Journal: Macroeconomics* 3 (2): 189-217.

* Joshua Lewis,
"Infant Health, Women's Fertility, and Rural Electrification in the United States, 1930-1960," *Journal of Economic History*, Vol. 78, No. 1 (March 2018): 118-154.

* Albanesi, Stefania and Claudia Olivetti. 2010. *Maternal Health and the Baby Boom*.
<http://www.nber.org/papers/w16146>

7. Nature vs nurture.

*Sacerdote, Bruce. "Nature and Nurture Effects on Children's Outcomes: What Have We Learned from Studies of Twins and Adoptees?." *Handbook of social economics*. Vol. 1. North-Holland, 2011. 1-30.

*Olivetti, Claudia, M. Daniele Paserman, and Laura Salisbury. "Three-generation mobility in the United States, 1850–1940: The role of maternal and paternal grandparents." *Explorations in Economic History* 70 (2018): 73-90.

8. *Resource allocations within family lecture

*Chiappori, Pierre-André, Bernard Fortin, and Guy Lacroix. 2002. "Marriage Market, Divorce Legislation, and Household Labor Supply." *Journal of Political Economy* 110 (1): 37-72.

Stevenson, Betsey, and Justin Wolfers. "Bargaining in the shadow of the law: Divorce laws and family distress." *The Quarterly Journal of Economics* (2006): 267-288.

Brandt, Loren, Aloysius Siow, and Hui Wang. "Compensating for unequal parental investments in schooling." *Journal of Population Economics* 28.2 (2015): 423.

*Lundberg, Pollak and Wales (1997), "Do Husbands and Wives Pool their Resources?," *Journal of Human Resources*, p. 463-480

*Duflo, E. "Grandmothers and granddaughters: Old-age pensions and intrahousehold allocation in South Africa"" *The World Bank Economic Review*, 17(2003), 1-2

*Hongbin Li & Mark Rosenzweig & Junsen Zhang, 2008. "Altruism, Favoritism, and Guilt in the Allocation of Family Resources: Sophie's Choice in Mao's Mass Send Down Movement,"
<http://ideas.repec.org/p/egc/wpaper/965.html>

*Chiappori, Pierre-Andre and Maurizio Mazzocco. 2017. "Static and Intertemporal Household Decisions." *Journal of Economic Literature*, 55(3):985-1045

*Choo, Eugene, and Aloysius Siow. "Who marries whom and why." *Journal of political Economy* 114.1 (2006): 175-201.

Mourifié, Ismael, and Aloysius Siow. "Cohabitation versus marriage: Marriage matching with peer effects." (2014).

Team production

9. * Team production, hierarchies and one factor matching lecture.

*Garicano, Luis. 2000. "Hierarchies and the Organization of Knowledge in Production." *Journal of Political Economy* 108 (5): 874-904.

*Demougin, Dominique and Aloysius Siow. 1994. "Careers in Ongoing Hierarchies." *The American Economic Review*: 1261-1277.

Dessein, W. and T. Santos. 2006. "Adaptive Organizations." *Journal of Political Economy* 114 (5): 956-995.

10. Earnings inequality lecture

*Rosen, Sherwin. "Hedonic prices and implicit markets: product differentiation in pure competition." *Journal of political economy* 82.1 (1974): 34-55.

*Heidi Williams lecture, "Compensating Wage Differentials".

*Rosen, Sherwin (1981) .The Economics of Superstars,. AER, 71, 845. 858.

*Juhn, Chinhui, Kevin M. Murphy, and Brooks Pierce. "Wage inequality and the rise in returns to skill." *Journal of political Economy* 101.3 (1993): 410-442.

*Katz, Lawrence F., and Kevin M. Murphy. "Changes in relative wages, 1963–1987: supply and demand factors." *The quarterly journal of economics* 107.1 (1992): 35-78.

*Card, David, Jorg Heining, and Patrick Kline, "Workplace Heterogeneity and the Rise of West German Wage Inequality," *The Quarterly Journal of Economics*, 2013, 128 (3), 967–1015.

*Song, J., Price, D. J., Guvenen, F., Bloom, N., & Von Wachter, T. (2015). *Firming up inequality* (No. w21199). National Bureau of Economic Research.

*Eric Mak and A. Siow. "Occupational Choice and Matching in the labor market."

*Heidi Williams lecture, "Rent Sharing between workers and firms".

11. Quality and variety in marriage, labor and product markets.

12. Search and matching.

*Daron Acemoglu lecture, "Search and matching".