Labor Economics I

MIT (14.661)  D. Acemoglu
Fall 2019  J. Angrist

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This course covers traditional and contemporary topics in labor economics and aims to encourage the development of independent research interests. Prerequisites are intermediate microeconomics and a course in econometrics.

The class is offered in two versions, Ultimate and Lite. Participants are asked to select one of these by our second meeting on Tuesday, September 10.

Class requirements (new in 2019)

All 661 participants are expected to:

- Miss no more than two classes over the course of the term
- Take an out-of-class final during exam week
- Complete 4 problem sets with a grade of at least 7/10
- Answer questions when called upon in class

In addition, Ultimate 661 participants are expected to:

- Deliver a brief oral presentation
- Complete an empirical project involving replication and extension of published work

MIT Economics Ph.D. (MEP) students wishing to satisfy major field requirements for labor should take Ultimate 661. Minor field requirements can be met by passing 661 Lite. Undergraduates and other non-MEP students take 661 Lite.

Grading

- Ultimate: 4 problem sets (10 points each); final (25 points); empirical project (25 points); oral presentation (10 points); attendance (10 points)
- Lite: 4 problem sets (10 points each); final (60 points); attendance (10 points)

LMOD has our readings, assignments, and recitation material.
Recitations will be held every Friday at 10 am in 432.

READINGS

First Part - Angrist

Articles, handbook chapters will be made available through Stellar. Books are also on reserve. An (M) flags studies done as part of an MIT thesis.


I. Labor Market Facts and Trends


II. The Neoclassical Labor Supply Model

A. Basics


B. Tax and Transfer Programs


**C. The Life-Cycle Model**


Metrics: MHE, Section 4.1 (especially 4.1.2 and 4.1.3), and MM, Chapter 3.

*Cab drivers, et al.*


D. Household and Family Models


Metrics: MHE, Chapter 4 (Instrumental Variables), and MM Chapter 3.

III. Labor Demand and Demand-Side Institutions and Policies

A. Labor Demand


B. Market Structure and the Min


Metrics: MHE, Chapter 5 and MM, Chapter 5 (DD)

C. Immigration and Migration


IV. Human Capital
A. Schooling, Experience, and Earnings

Theoretical considerations


B. Empirical Earnings Functions

Returns-to-schooling econometrics


MM, Chapter 6.

*Returns to experience and OJT*

B. Jovanovic (1979) "Firm-Specific Capital and Turnover" *Journal of Political Economy*, 87.6 (December), 1246-60.


V. Unions


Metrics: MHE, Chapters 5 (Panel Data) and 6 (RD) and MM, Chapter 4 (RD).
Cahuc and Zilberberg’s *Labor Economics* MIT Press, 2004 is a useful reference. You may also want to consult the lecture notes on my website (Acemoglu, Daron and David Autor, *Lectures in Labor Economics*, Web notes), though these do not cover all our material.

I. Labor Market Externalities

A. Non-Pecuniary and Pecuniary Externalities in the Labor Market


B. Signaling


II. Social Mobility, Peer Effects and Human Capital

A. Social Mobility


* Solon, Gary “Intergenerational Income Mobility in the United States” *American Economic Review* v82, n3 (June 1992): 393-408


B. Peer Effects


III. Incentives, Agency and Efficiency Wages

A. Multitasking


B. Career Concerns in the Private and the Public Sector


Fehr, Ernst, and Simon Gächter (2002). "Do incentive contracts undermine voluntary cooperation?"

C. Efficiency Wages

IV. Investment in Skills

A. Holdups and Investments


B. Investment in General Skills


C. Specific Skills, Investments and Learning


V. Search and Unemployment

A. Unemployment, Non-Employment and Labor Market Flows


OECD (1994); *Jobs Study* Volumes 1 and 2.


B. The Partial Equilibrium Search Model


C. The Basic Equilibrium Search Framework

* Pissarides, Christopher; *Equilibrium Unemployment Theory*, MIT Press, 2000


D. Monopsony


E. Assignment Models


F. The Composition of Jobs (time permitting)


G. Real and Nominal Wage Rigidity (time permitting)


* Bewley, Truman (1999), Why Wages Don’t Fall During a Recession, Harvard University Press.


