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

Class requirements: Grades are based on 4 problem sets (10 points each), an empirical project involving replication and extension of published work (30 points), and a 3 hour final during exam week (40 points). In addition, there are two ungraded problem sets, one at the beginning and one at the end of the course.

A Stellar site has our readings, assignments, and recitation material.

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

First Part - Angrist

Books


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**


Willis, R., "What Have We Learned from the Economics of the Family?," *American Economic Review*, 77[2], May 1987, 68-81.


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**


**D. Unions**


Metrics: MHE, Chapters 5 (Panel Data) and 6 (RD) and MM, Chapter 4 (RD).

IV. Human Capital

A. Schooling, Experience, and Earnings

Theoretical considerations


B. Empirical Earnings Functions

Returns-to-schooling econometrics


P. Oreopoulos, “Estimating Average and Local Average Treatment Effects of Education when Compulsory Schooling Laws really Matter: Corrigendum,” August 2008 ([Link](#)).

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.


Second Part - Acemoglu

The book Pierre Cahuc and Andre Zilberberg Labor Economics MIT Press, 2004, covers some of the topics and is a very 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), but not all topics we will be studying are covered in those notes.

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


C. A Network Approach to Peer Effects


III. Incentives, Agency and Efficiency Wages

A. Multitasking


B. Career Concerns in the Private and the Public Sector


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. Assignment Models


E. The Composition of Jobs


F. Real Wage Rigidity, Unemployment and Unemployment Persistence (time permitting)


G. Nominal Wage Rigidity and Unemployment (time permitting)

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


