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.

LMOD has our readings, assignments, and recitation material.

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.

Second Part - Acemoglu

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.

For this part of the syllabus, stars (*) designate recommended readings.

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


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.


