Staff:
Instructors: Parag Pathak, E52-426, ppathak@mit.edu; Daron Acemoglu, E52-446, daron@mit.edu
Teaching fellow: Clemence Idoux, cidoux@mit.edu

Logistics:
Two lectures per week on Tuesday and Thursday from 10:30-12pm in E51-395
Recitations: Fridays, location TBA
Pathak begins on 9/6/2018 and ends 10/23/2018
Acemoglu begins on 10/25/2018 and ends 12/11/2018

Description:
This is a graduate course in labor economics, appropriate for PhD students in the Department of Economics and other students with permission of the instructor. Pathak and Acemoglu split the fall semester. In the spring, Professors David Autor and Simon Jäger teach Labor Economics II.

The aim is to acquaint students with traditional topics and to encourage the development of independent research interests. The syllabus contains readings of two sorts. The first will be emphasized in lectures. Other readings may be discussed briefly, but are also listed as a guide to the literature.

Students who are interested in pursuing research in labor economics are strongly encouraged to attend the weekly Labor Economics student workshop, which meets on Tuesdays from 12:00-1:00pm, the joint MIT Labor/Public Finance seminar in the Fall on Mondays from 4-5:30pm, and the Econ-Sloan Applied Microeconomics seminar which meets in the Spring.

A Stellar website has readings, assignments, and recitation material.

Course Materials:
Working labor economists should have easy access to the following resources:

• Ashenfelter, Orley and David Card (2010): Handbook of Labor Economics, Volumes 4A and 4B.


Grading and Requirements:
Your grade in this course depends on three parts: final exam in December covering material from both quarters (50%), 5-6 problem sets (25%), and an empirical project (25%) involving replication and extension of published work.
Part 1: Labor Supply

• **Static Model**

Dynamics


Household and family models

Part 2: Labor Demand

• Foundations

• Immigration

• **Unions - Brigham Frandsen guest**


• **Minimum Wages**


**Part 3: Human Capital**

**A. Basics and Estimating the Returns to Schooling**


B. Evaluating the Impacts of School Policies on Student Outcomes / Program Evaluation Problem


C. Schools


D. Teachers


E. HOUSING MARKETS AND RESIDENTIAL SORTING


F. EXTERNALITIES AND PEERS


G. AFFIRMATIVE ACTION IN EDUCATION


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.

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.


