UC San Diego Spring 2007 Class: T-Th, 8:00-9:20 (Econ 210) Prof. Eli Berman <u>elib@ucsd.edu</u>, 534-2858 OH: Th 2-3:00, Econ 218 (or drop by in afternoons)

Prof. Kate Antonovics <u>kantonov@ucsd.edu</u>, 534-2973 OH: W 1:30-2:30pm, Econ 327 (or drop by in afternoons)

Economics 250C Labor Economics

Objectives: to prepare students to write thesis quality papers in labor economics (which we hope will become your major activity by third year) and to practice basic skills of research: creative thinking, reading, writing, presentation, constructive criticism and schmoozing.

Requirements: To do well in this course you should have completed microeconomics and econometrics (A-C) courses. It would be helpful if you have already taken Labor Economics 250A, where we covered many of the empirical methods that we will use in this course. If you are unsure please consult the 250A course syllabus at http://weber.ucsd.edu/~jbetts/250A2006.html and discuss with either of us if there are holes in your knowledge of the relevant empirical methods.

You are expected to attend and participate actively in all classes.

Evaluation:

5% A paper proposal. Please email both of us a one to three page proposal with a few references by the end of Week 2 (5pm, Sunday, April 15th). Feel free to consult either of us more informally before that time. This could be a literature review. However, if you completed a literature review in 250B, you are expected to move beyond a review of the literature and make progress towards the completion of an original paper. Alternatively, you could initiate or continue an applied project. Some of you may have initiated more empirically oriented projects in 250A or 250B. You are welcome to continue with that work in this course, but you must clear this with us and provide us with a copy of the final version of the paper(s) you prepared for those classes, along with a clear statement of how you will extend that analysis. A third alternative, for those of you taking the 3rd year paper course, is to build upon your 3rd year paper. A fourth alternative is to take an existing paper you have written in a closely related field such as public economics and propose an extension. Again, please provide us with a copy of the paper in pdf or hardcopy and a plan for extending your work. *Whichever alternative you chose, it is important that the paper make substantial progress towards the completion of an original research project (either theoretical or empirical)*.

45% A final draft of your paper, due on the last class (Thursday, June 7th). Please bring two copies. There will be no extensions beyond the end of quarter, and papers submitted after the last class will lose 5 percentage points (out of 50) per day late.

50% A two-hour final exam in finals week (date and time TBA).

Books: There is no required text. Students looking for a starting point or background material may wish to use Cahuc P. and Zylberberg A. *Labor Economics* (MIT press, 2004) [C&Z]. For a clear, accessible summary of much of the empirical literature up till about 2000, try Ehrenberg, Ronald G. and Robert S. Smith (2003) *Modern Labor Economics, Theory and Public Policy*, (8th edition), HarperCollins, New York. Gud writing iz important. For an entertaining style manual, see Becker, Howard S. (1986) *Writing For Social Scientists*, U. of Chicago.

Instruction: Prof. Berman will teach sections I and II and Prof. Antonovics will teach sections III-V.

Reading List: This list is subject to change. You are not expected to read every paper on the list. The (*) means priority reading. We will also try to give you some guidance as to which papers are the most important. Please let me know if you discover any mistakes in the references.

Reading material is available on electronic reserve at <u>http://reserves.ucsd.edu</u>. You can access this web page from a campus computer or from an off-campus computer that uses a UCSD proxy server.

I. Economics of the Family, Fertility and Demographics

Background: Ray, Debraj Development Economics ch 9, or Weil, David Economic Growth ch 4 & 5.

- * Becker, Gary S. "The Demand for Children," and Becker, Gary S. and Barro, Robert "A Reformulation of the Economic Theory of Fertility," in Becker, Gary S. *A Treatise on the Family*, (Harvard, Cambridge MA, 1991).
- Becker, Gary S. "A Theory of the Allocation of Time", Economic Journal 75 (Sept. 1965): 493-517.
- *Gronau, Reuben. "Leisure, Home Production, and Work -- The Theory of the Allocation of Time Revisited," Journal of Political Economy, 85 (1977): 1099-1123.
- Lundberg, S.J., R.A. Pollak and T.J. Wales "Do Husbands and Wives Pool their Resources? Evidence from the U.K. Child Benefit," Journal of Human Resources 32(3) 1997: 463-480.
- Ashraf, Nava, Spousal Control and Intra-Household Decision Making: An Experimental Study in the Philippines" Harvard, 2005, mimeo <u>http://www.econ.ucsd.edu/seminars/Ashraf_WI05.pdf</u>.
- J. Mincer, "Labor Force Participation of Married Women," <u>Aspects of Labor Economics</u>, Princeton University Press, 1962.
- Goldin, Claudia, <u>Understanding the Gender Gap</u>, Oxford, 1990, chapters 2 and 5.
- Goldin, Claudia and Lawrence F. Katz, "Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions,"Journal of Political Economy, (August 2002).

II. The Economics of Religion

Iannaccone, Laurence R (1998) "Introduction to the Economics of Religion," <u>Journal of Economic</u> <u>Literature</u>, 36, pp. 1465-1496.

- * Iannaccone, Laurence R. (1992) "Sacrifice and Stigma: Reducing Free-riding in Cults, Communes, and other Collectives" Journal of Political Economy, 100(21), pp. 271-291.
- * Berman, Eli, ASect, Subsidy and Sacrifice: An Economist=s View of Ultra-Orthodox Jews,@ <u>Quarterly</u> <u>Journal of Economics</u>, August 2000.
- Chen, Daniel, "Economic Distress and Religious Intensity: Evidence from Islamic Resurgence During the Indonesian Financial Crisis," MIT mimeo, 2003.
- Berman, Eli and Ara Stepanyan "How Many Radical Islamists? Indirect Evidence from Five Countries," UCSD mimeo 2003.

Religion and Terrorism

- Berman, Eli and Larry Iannaccone, "Religious Extremists: The Good the Bad and the Deadly," (with Laurence Iannaccone), NBER WP 11663 (Public Choice, 2006).
- * Berman, Eli, "Hamas, Taliban and the Jewish Underground: An Economists' View of Radical Religious Militias." NBER WP 10004, 2003.
- Berman, Eli and Laitin, David, "Hard Targets: Evidence on the Tactical use of Suicide Attacks," NBER WP 11740, 2005.

Does Poverty cause Terrorism?

- Collier, Paul and Anke Hoeffler (2001) "Greed and Grievance in Civil War" http://econ.worldbank.org/progarms/library.
- Fearon, James D. and David D. Laitin (2003) "Ethnicity, Insurgency and Civil War" <u>American Political</u> <u>Science Review</u> 97(1): 75-90 (February 2003).
- Krueger, Alan B. and Jitka Maleckova, "Education, Poverty, Political Violence and Terrorism: Is there a Causal Connection? NBER WP #9074, July 2002.

III. Wage Dynamics and Employment Dynamics

* Neal, Derek and Sherwin Rosen. "Theories of the Distribution of Earnings." In *Handbook of Income Distribution*, 2000.

Human Capital Models

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

Models of Learning and Sorting

- * Farber, H., and R. Gibbons. "Learning and Wage Dynamics." *Quarterly Journal of Economics*, November 1996, *111*(4), pp. 1007-1047.
- * Gibbons, Robert and Michael Waldman. "A Theory of Wage and Promotion Dynamics Inside Firms." *Quarterly Journal of Economics*, November 1999, *114* (4), pp. 1321-58.

MacDonald, Glenn M. "A Market Equilibrium Theory of Job Assignment and Sequential Accumulation of Information," *American Economic Review*, December 1982, 72(5), pp. 1038-1055.

Matching Models

- * Jovanovic, Boyan. "Job Matching and the Theory of Turnover." *Journal of Political Economy*, October 1979, *87*(5), pp. 972-990.
- * Jovanovic, Boyan. "Firm Specific Capital and Turnover." *Journal of Political Economy*, December 1979, 87(6), pp. 1246-1260.
- Gittins, J.C. "Multi-Armed Bandit Allocation Indices." John Wiley and Sons (1989).
- * Miller, Robert. "Job Matching and Occupational Choice." *Journal of Political Economy*, December 1984, *92*(6), pp. 1086-1120.
- * Sargent, Thomas J. <u>Dynamic Macroeconomic Theory</u>. Cambridge, MA: Harvard University Press, 1987, pp. 71-83.

Insurance, Agency & Tournaments

- * Harris, Milton and Bengt Holmstrom. "A Theory of Wage Dynamics." *Review of Economic Studies*, July 1982, 49, pp. 315-33 [JS]
- Johnson, William. "A Theory of Job Shopping." *Quarterly Journal of Economics*, May 1978, 92(2), pp. 261-77.
- * Lazear, E and S. Rosen, "Rank-Order Tournaments as Optimum Labor Contracts." *Journal of Political Economy*, October 1981, 89(5), pp. 841-864. [JS]
- Murphy, Kevin "Incentives, Learning and Compensation: A Theoretical and Empirical Investigation of Managerial Labor Contracts.," *Rand Journal of Economics*, Spring 1986, *17*(1), pp. 59-76. [JS]
- Prendergrast, Canice. "The Provision of Incentives in Firms," *Journal of Economic Literature*, March 1999, *37*(1), pp. 7-63.

Empirical Work on Wage & Employment Dynamics

- Abraham, K. and H. Farber. "Job Duration, Seniority, and Earnings," *American Economic Review*, June 1987, 77(3), pp. 278-297.
- Baker, George, Michael Gibbs and Bengt Holmstrom. "The Internal Economics of the Firm." *Quarterly Journal of Economics*, November 1994, *109*(4), pp. 881-919.
- Baker, George, Michael Gibbs and Bengt Holmstrom. "The Wage Policy of a Firm." *Quarterly Journal* of Economics, November 1994, 109(4), pp. 921-55.
- Nagypal, Eva, "Learning-by-Doing Versus Learning About Match Quality: Can We Tell Them Apart?" Northwestern University, *mimeo*.

- Neal, Derek. "Industry-Specific Human Capital: Evidence from Displaced Workers." *Journal of Labor Economics*, October 1995, *13*(4), pp. 653-677.
- * Topel, Robert. "Specific Capital, Mobility, and Wages: Wages Rise with Job Seniority." *Journal of Political Economy*, February 1991, *99*(1), pp. 145-176.

IV. Race and Gender Inequality

Basic Facts About Race and Gender Inequality

- * Altonji, Joseph and Rebecca Blank. "Race and Gender in the Labor Market," in O. Ashenfelter and D. Card (ed.) *Handbook of Labor Economics*, Vol 3C, Chapter 48. New York, NY: Elsevier, 1999.
- Bound, John and Richard B. Freeman. "What Went Wrong? The Erosion of Relative Earnings and Employment Among Young Black Men in the 1980s." *Quarterly Journal of Economics*, February 1992, *107*(1), pp. 201-32.
- Brown, Charles. "Black-White Earnings Ratios Since the Civil Rights Act of 1964: The Importance of Labor Market Dropouts." *Quarterly Journal of Economics,* February 1984, 99(1), pp. 31-44.
- Card, D. and Lemieux, T. "Wage Dispersion, Returns to Skill, and Black-White Wage Differentials", *Journal of Econometrics*, 1996, 74, 319-361.
- Card, David and Alan Krueger. "School Quality and Black-White Relative Earnings: A Direct Assessment." *Quarterly Journal of Economics*, February 1992, *107*(1), pp. 151-200.
- * Donohue, John J III and James J. Heckman. "Continuous Versus Episodic Change: The Impact of Civil Rights Policy on the Economic Status of Blacks." *Journal of Economic Literature*, December 1991, 29(4), pp. 1603-43. [JS]
- Smith, James P. "Affirmative Action and the Racial Wage Gap." American Economic Review Papers and Proceedings, May 1993, 83(2), pp. 79-84.

Discrimination--Theory

- * Aigner, Dennis J. and Glen C. Cain. "Statistical Theories of Discrimination in the Labor Market." *Industrial and Labor Relations Review*, January 1977, *30*(2), pp. 175-87.
- * Altonji, Joseph and Rebecca Blank. "Race and Gender in the Labor Market," in O. Ashenfelter and D. Card (ed.) *Handbook of Labor Economics*, Vol 3C, Chapter 48. New York, NY: Elsevier, 1999.

Antonovics, Kate. "Statistical Discrimination and Intergenerational Income Mobility." mimeo, 2004.

- Arrow, Kenneth, "Models of Job Discrimination" and "Some Mathematical Models of Race in the Labor Market", in A. Pascal (ed.) *Racial Discrimination in Economic Life*. Lexington, MA: Lexington Books, 1972.
- Becker, Gary S., The Economics of Discrimination, Chicago, IL: The University of Chicago Press, 1957.

- Borjas, George and Matthew Goldberg. "Biased Screening and Discrimination in Labor Markets." *American Economic Review*, December 1978, 68(5), pp. 918-922.
- * Coate, S. and Loury G. "Will Affirmative Action Eliminate Negative Stereotypes?" *American Economic Review*, December 1993, 83(5), pp. 1220-1240.
- * Lundberg, S. and Startz, R. "Private Discrimination and Social Intervention in a Competitive Labor Market." *American Economic Review*, June 1983, *73*(3), pp. 340-347.
- Lundberg, Shelly J. "The Enforcement of Equal Opportunity Laws Under Imperfect Information: Affirmative Actions and Alternatives." *Quarterly Journal of Economics*, February 1991, *106*(1), pp. 309-326. [JS]
- Mailath, George J., Larry Samuelson and Avner Shaked. "Endogenous Inequality in Integrated Labor Markets with Two-Sided Search." *American Economic Review*, March 2000, *90*(1), pp. 46-72.
- McCall, J. "The Simple Mathematics of Information, Job Search and Prejudice," in A. Pascal (ed.), *Racial Discrimination in Economic Life*. Lexington, MA: Lexington Books, 1972.
- Milgrom, Paul and Sharon Oster, "Job Discrimination, Market Forces, and the Invisibility Hypothesis." *Quarterly Journal of Economics*, 1987, *102*(3), pp. 453-476.
- Schwab, Stewart, "Is Statistical Discrimination Efficient?" *American Economic Review*, March 1986, 76(1), pp. 228-234.

Discrimination--Empirical Evidence

- * Altonji, Joseph and Rebecca Blank. "Race and Gender in the Labor Market," in O. Ashenfelter and D. Card (ed.) *Handbook of Labor Economics*, Vol 3C, Chapter 48. New York, NY: Elsevier, 1999.
- Altonji, J. and Pierret, C. "Employer Learning and Statistical Discrimination", *Quarterly Journal of Economics*, February 2001, *116*(1), pp. 313-350.
- * Antonovics, Kate and Brian Knight. "A New Look at Racial Profiling: Evidence from the Boston Police Department." *mimeo*, March 2004.
- * Bertrand, Marianne and Sendhil Mullainathan. "Are Emily and Greg More Employable that Lakisha and Jamal? A Field Experiment in Labor Market Discrimination," *American Economic Review*, September 2004, 94(4), pp. 991-1013.
- Hellerstein, Judith K. and David Neumark. "Wages, Productivity, and Worker Characteristics: Evidence from Plant- Level Production Functions and Wage Equations." *International Economic Review*, February 1999, 40(1), pp. 95-123.
- Hernández-Murillo, Rubén and John Knowles. "Racial Profiling or Racist Policing? Bounds Tests in Aggregate Data," *International Economic Review*, August 2004, 45(3). pp. 959-89.
- Knowles, John and Persico, Nicola. "Racial Bias in Motor Vehicle Searches: Theory and Evidence." *Journal of Political Economy*, 2001, *109*(1), pp. 203-229.

Oettinger, Gerald. "Statistical Discrimination and the Early Career Evolution of the Black- White Wage Gap," *Journal of Labor Economics*, January 1996, *14*(1), pp. 52-78.

V. Intergenerational Income Mobility & Racial Inequality

- * Becker, Gary and Nigel Tomes. "An Equilibrium Theory of the Distribution of Income and Intergenerational Mobility," *Journal of Political Economy*, December 1986, 87(6), pp. 1153-1189.
- Carneiro, Pedro, James Heckman and Dimitri Masterov, "Labor Market Discrimination and Racial Differences in Premarket Factors," *Journal of Law and Economics*, April 2005, 48(1), pp. 1-39.
- Goldberger, Arthur. "Economic and Mechanical Models of Intergenerational Transmission," *American Economic Review*, June 1989, 79(3), pp. 504-513.
- Grawe, Nathan and Casey Mulligan. "Economic Interpretations of Intergenerational Correlations," *Journal of Economic Perspectives*, Summer 2002, 16(3), pp. 45-58.
- * Cameron, Stephen and James Heckman. "The Dynamics of Educational Attainment for Black, Hispanic, and White Males," *Journal of Political Economy*, June 2001, 109(3), pp. 455-99.
- Carneiro, Pedro and James Heckman. "The Evidence on Credit Constraints in Post-secondary Schooling," *Economic Journal*, October 2002, 112(482), pp. 705-34.
- * Fryer, Roland and Steven Levitt, "Understanding the Black-White Test Score Gap in the First Two Years of School," *Review of Economics and Statistics*, May 2004, 86(2), pp. 447-64
- * Neal, Derek and William Johnson. "The Role of Premarket Factors in Black-White Wage Differences." *Journal of Political Economy*, October 1996, 104(5), pp. 869-85.
- Solon, Gary. "Intergenerational Income Mobility in the United States," *American Economic Review*, June 1992, 82(3), pp. 393-408.