

UC San Diego  
Winter 2004  
Class: T-Th, 8-9:20 (Econ 210)

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OH: Th, 12:30-2:30, Econ 218  
(or by appointment)

**Economics 250B**  
**Labor Economics**

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

**Requirements:**

1. Literature Survey, of a topic suggested below. (A different topic can be negotiated. In that sense this outline is provisional. We will adjust it to accommodate students' interests and, when appropriate, invite outside speakers in order to expose students to fresh research in a variety of areas.) This survey will be submitted in writing and presented briefly in class, time permitting. A good survey should identify areas of potential research.
2. A proposal or paper. For an empirical paper that proposal should include a model, an estimation strategy and some preliminary results. Students are encouraged to integrate the literature survey into the proposal. A paper can start with a  $k$ th draft from a previous labor course and develop it into a  $(k+2)$ th draft in the present course. The paper can integrate a literature survey or not.
3. Active class participation.

**Grading:**

Grades will be given for a literature survey (15%), a paper (30%), participation (10%) and a final exam (45%).

**Books:**

There is no required text for this course. Students looking for a starting point or background material may wish to use an undergraduate textbook. 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. Good writing is important. For an entertaining style manual, see Becker, Howard S. (1986) *Writing For Social Scientists*, U. of Chicago.



### ***I Introduction: What is Labor Economics?***

\* Smith, Adam The Wealth of Nations, Chapter X, 1776.

Stafford, Frank "Forestalling the Demise of Empirical Economics: The role of Microdata in Labor Economics Research" in Ashenfelter and Layard, eds., Handbook of Labor Economics, vol 1, chapter 7.

Hamermesh, Daniel "The Art of Labormetrics," *Handbook of Econometrics, Volume 5*, January 1998

\* Angrist, Joshua and Alan Krueger, "Empirical Strategies in Labor Economics" Handbook of Labor Economics, vol 3.

\* Freeman, Richard "Introduction," Labor Markets in Action, 1989 pp ix-xii.

Lazear, Edward "Economic Imperialism" The Quarterly Journal of Economics, 2000, vol. 115, issue 1, pages 99-146.

### ***II. 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.

J. Mincer, "Labor Force Participation of Married Women," Aspects of Labor Economics, Princeton University Press, 1962.

Goldin, Claudia, Understanding the Gender Gap, 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).



### ***III. The Economics of Religion***

Iannaccone, Laurence R (1998) "Introduction to the Economics of Religion," Journal of Economic Literature, 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,@ Quarterly Journal of Economics, August 2000.

Chen, Daniel, "Economic Distress and Religious Intensity: Evidence from Islamic Resurgence During the Indonesian Financial Crisis," MIT mimeo, 2003.

### ***Religion and Demographics***

Berman, Eli and Ara Stepanyan "How Many Radical Islamists? Indirect Evidence from Five Countries," UCSD mimeo 2003.

### ***Religion and Terrorism***

Iannaccone, Larry "The Market for Martyrs," George Mason University mimeo, 2004.

\* Berman, Eli, " Hamas, Taliban and the Jewish Underground: An Economists' View of Radical Religious Militias." NBER WP 10004, 2003.

### ***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" American Political Science Review 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.



#### **IV. Labor Demand**

##### **Static Models**

\*Hamermesh, Daniel S. Labor Demand, Princeton, NJ: Princeton University Press, 1993, chapters 2&3.

J. Hicks, Theory of Wages, chapter 1, Appendix, sections 18\_19.

\* D. Hamermesh, "The Demand for Labor in the Long Run," in O. Ashenfelter and R. Layard, eds., Handbook of Labor Economics, vol. 1, 1986.

##### **Empirical Applications of Static Models**

\* K. Clark and R. Freeman, "How Elastic is the Demand for Labor?" RESTAT, November 1980, pp. 509\_520.

C. Brown, C. Gilroy, and A. Kohen, "The Effect of the Minimum Wage on Employment and Unemployment," Journal of Economic Literature, June 1982.

R. Freeman, "The Effect of Demographic Factors on Age\_Earnings Profiles," Journal of Human Resources, 1979, pp. 289\_318.

Comment: \*

R. Freeman, "The Effect of the Increased Relative Supply of College Graduates on Skill Differences and Employment Opportunities," in Z. Griliches et al., Income Distribution and Economic Inequality, Campus Verlag, 1978, pp. 240\_55.

\*Z. Griliches, "Capital\_Skill Complementarity," RESTAT, November 1969.

Comment: \*

D. Card, "Unexpected Inflation, Real Wages, and Employment Determination in Union Contracts," American Economic Review, September 1990.

Berman Eli and Linda Bui (2000), "Air Quality Regulation and Labor Demand: Evidence from the L.A. Basin," Journal of Public Economics xx x.

##### **Dynamic Models**

\* W. Oi, "Labor As A Quasi\_Fixed Factor," Journal of Political Economy, 1962, pp. 538\_55.

S. Nickell, "Dynamic Models of Labour Demand," Handbook of Labor Economics, vol. 1, 1986.

\* D. Hamermesh, "Labor Demand and the Structure of Adjustment Costs," American Economic Review, September 1989, pp. 675\_90.

Comment: T. Sargent, "Estimation of Dynamic Labor Demand Models Under Rational Expectations," Journal of Political Economy, December 1978, 1009\_1044.

##### **Equilibrium with Heterogeneous Labor**

\*Lang, Kevin and William T. Dickens. "Neoclassical and Sociological Perspectives on Segmented Labor Markets," in Farkas, G. and England, P., eds., Industries, Firms, and Jobs, New York: Plenum, 1988.

\*Kahn, Shulamit. "Economic Estimates of the Value of Life," Institute of Electrical Engineers Technology and Society, June 1986.

Rosen, Sherwin. "The Theory of Equalizing Differences." in Handbook of Labor Economics, Vol. I.

Willis, Robert J. "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings



Functions," in Handbook of Labor Economics.

### **Immigration**

\* J. Altonji and D. Card, "The Effects of Immigration on the Labor Market Outcomes of Less\_Skilled Natives," in J. Abowd and R. Freeman, eds., Immigration, Trade, and the Labor Market, U. of Chicago Press and NBER, 1991.

\*Card, David, "The Impact of the Mariel Boatlift on the Miami Labor Market," Industrial and Labor Relations Review, 43 (January 1990): 245\_57.

Chiswick, Barry R. "The Effect of Americanization on the Earnings of Foreign-born Men," Journal of Political Economy 86(5) (1978).

Friedberg, Rachel "The Impact of Mass Migration on the Israeli Labor Market," The Quarterly Journal of Economics 2001 116 (4)1373-1408.

\*Borjas, George, "Self Selection and the Earnings of Immigrants," American Economic Review, 77 (Sept. 1987): 531\_53.

Berman, Eli, "Language-Skill Complementarity: Estimated Returns to Immigrant Language Acquisition," (with Kevin Lang and Erez Siniver), Labour Economics, 10 (3), (June 2003) 265-290.

Bleakely, Hoyt, and Aimee Chin, "Returns to English Language Skills among first generation immigrants: How much and why?" Review of Economics and Statistics, forthcoming.

### **V. Increased Returns to Skills and Increased Income Inequality**

#### **The basic facts on quantities and prices**

Blackburn, M.L., D.E. Bloom and R.L. Freeman (1990). "The Declining Economic Position of Less\_Skilled American Males," in G. Burtless (ed.), *A Future of Lousy Jobs?* Brookings, Washington D.C.

\* Bound, John and George Johnson (1992) "Changes in the Structure of Wages During the 1980s: An Evaluation of Alternative Explanations," *American Economic Review*, 82(June).

\* Katz, Lawrence F. and Kevin M. Murphy (1992). "Changes in Relative Wages, 1963\_1987: Supply and Demand Factors," *Quarterly Journal of Economics*, 107(February) 35\_78.

Murphy, Kevin M. and Finis Welch (1993) Industrial change and the rising importance of skill, in Sheldon Danziger and Peter Gottschalk (eds.) *Uneven Tides: Rising Inequality in America*, New York: Russell Sage Foundation.

Murphy, Kevin M. and Finis Welch (1992) "The Structure of Wages," *Quarterly Journal of Economics*, 107(February): 285\_326.

### **Race**

Bound, John and Richard Freeman (1992) "What Went Wrong? The Erosion of Relative Earnings Among Young Black Men in the 1980s," *Quarterly Journal of Economics* 107(1), February.

### **International Evidence**

Blau, Francine D. and Lawrence M. Kahn (1994) "International Differences in Male Wage Inequality: Institutions versus Market Forces," NBER WP #4678, March.

\* Freeman, Richard and Lawrence Katz (1994) "Rising wage inequality: The United States vs.

**Comment:** Davis, Steven (1992) 'Cross\_country patterns of change in relative wages', NBER Macroeconomics Annual, 239\_300.



other advanced countries," in Richard Freeman (ed.) *Working Under Different Rules*, New York: Russell Sage Foundation.

Katz, Lawrence F., Gary W. Loveman and David G. Blanchflower (1993). "A comparison of Changes in the Structure of Wages in Four OECD Countries," National Bureau of Economic Research Working Paper #4297, March.

#### Historical Perspective

Goldin, Claudia and Robert Margo (1992) "The Great Compression: The Wage Structure in the United States at Mid-Century," *Quarterly Journal of Economics*, 107(1), February.

#### Basic Human Capital Theory

G. Becker, *Human Capital*, 2nd edition, 1975.

\* Y. Ben Porath, "The Production of Human Capital and the Life Cycle of Earnings," *Journal of Political Economy*, August 1967, pp. 352-65.

Hellerstein, Judith K., David Neumark and Kenneth R. Troske (1994) "Wages, Productivity and Worker Characteristics," Northwestern University, mimeo, November.

\* R. Willis, "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions," in O. Ashenfelter and R. Layard, eds., *Handbook of Labor Economics*, vol. 1, 1986.

\* Mincer, Jacob (1994) "The Production of Human Capital and the Lifecycle of Earnings: Variations on a Theme," NBER WP #4838, August.

Mincer, Jacob (1994) "Investment in U.S. Education and Training," NBER WP #4844, August.

**Comment:** Katz, Lawrence F. and Ana Revenga (1989). "Changes in the Structure of Wages, The U.S. vs. Japan," *Journal of Japanese and International Economics*, III:552-553.

**Comment:** Note: The simplest way to think of skills is as Human Capital.

#### Trade as an Explanation

Borjas, George J. and Valerie A. Ramey (1994) "Foreign Competition, Market Power and Wage Inequality, UCSD mimeo.

Feenstra, Robert C. and Gordon Hanson, "Globalization, Outsourcing, and Wage Inequality" *American Economic Review Paper and Proceedings*, LXXXVI (1996), 240-245.

Helpman, Elhanan and Paul R. Krugman, *Market Structure and Foreign Trade*, (Cambridge, MA: MIT, 1985).

Krugman, Paul and Robert Lawrence (1993). "Trade, Jobs and Wages," National Bureau of Economic Research Working Paper #4478, September.

Lawrence, Robert and Matthew Slaughter (1993) 'International Trade and U.S. wages in the 1980s: Great sucking sound or small hiccup', *Brookings Papers on Economic Activity*, Fall, n2, pp161(66)

Sachs, Jeffrey and Howard Shatz (1994) 'Trade and jobs in U.S. manufacturing', *Brookings Papers on Economic Activity*.

#### Skill Biased Technological Change as an Explanation

Allen, Steven (1993) Technology and the Wage Structure, *Journal of Labor Economics*, 2001, vol. 19, issue 2, pages 440-83.

\* Berman, Eli, John Bound and Zvi Griliches (1994) 'Changes in the demand for skilled labour within US manufacturing industries: Evidence from the Annual Survey of Manufacturing', *Quarterly Journal of Economics*, 109, 367-98.



\* Berman, Eli, John Bound and Stephen Machin "Implications of Skill-Biased Technological Change: International Evidence," (1998), *Quarterly Journal of Economics*, 113, November.

Mincer, Jacob (1991). "Human Capital, Technology and the Wage Structure: What do Time Series Show?" National Bureau of Economic Research Working Paper #3581.

Autor, David, Lawrence Katz and Alan Krueger (1998) "Computing Inequality" *Quarterly Journal of Economics*, 113.

Berman, Eli and Stephen Machin, "Skill-Biased Technology Transfer Around the World," *Oxford Review of Economic Policy* 16(3), Fall 2000.

***Human Capital and Technological Change in Growth Models***

Barro and Sala-i-Martin (1994) *Economic Growth*

Lucas, Robert E. (1988) "On the Mechanics of Economic Development," *Journal of Monetary Economics*, XXII, 3-42.

Mankiw, N. Gregory, David Romer and David N. Weil (1992) "A Contribution to the Empirics of Economic Growth," *The Quarterly Journal of Economics*, May.