

LABOR ECONOMICS 250B
Winter 2022
Professors Eli Berman and Gordon Dahl

Time: Wednesdays, 12:30 - 3:20 PM

Eli will be teaching Jan. 5, Jan. 12, Jan. 19, Jan. 26, and Feb. 2.

Gordon will be teaching Feb. 9, Feb. 16, Feb. 23, Mar. 2, and Mar. 9.

Office Hours: Each professor will hold office hours during the weeks he or she is teaching and will be available for meetings outside those weeks by appointment. Students can make appointments outside professors' "teaching weeks" via email.

Eli Berman elib@ucsd.edu

Monday 4pm,

<https://ucsd.zoom.us/j/7771316136>

Gordon Dahl gdahl@ucsd.edu

Tuesdays starting at 11:00 am

<https://ucsd.zoom.us/j/8582165320>

Course Content: Course content and reading lists will be provided as separate documents by each instructor.

Canvas page: <https://canvas.ucsd.edu/courses/32964>

Assignments and Grading

1. Referee reports

Students will prepare two referee reports on papers of their choosing. These referee reports should be between 2 and 5 pages long. A typical report briefly summarizes the main contribution, talks about how the paper fits into the existing literature, explains what the paper does well, points out weaknesses and concerns, and offers suggestions for improvement.

You will present one referee report during the first five weeks (when Eli is teaching) and one referee report during the second five weeks (when Gordon is teaching).

Each referee report should also include a short one or two paragraph "cover letter" to the editor, which clearly indicates whether you think the paper should be published or not. You should choose the journal that you are refereeing for, such as the AER, ReStat, or JHR. Your ultimate recommendation will of course reflect the quality of the journal.

A good resource for writing a referee report can be found in a recent piece appearing in the Journal of Economic Perspectives titled "How to Write an Effective Referee Report and Improve the Scientific Process" (Berk, Harvey, and Hirschleifer, Vol. 31, No. 1, Winter 2017).

The paper you choose should be unpublished, and preferably an NBER or similar quality working paper. You must get approval for the paper you'd like to present in advance. You can get approval by emailing two options of potential papers (with links or attached pdfs) to Gordon or Eli, depending on which week you sign up to present each referee report to the class. We prefer papers that complement the content of that week's lecture.

2. Paper presentation

Students will provide a presentation on the paper they referee. The presentation should take 10-15 minutes, so the presentation needs to be focused. Please plan on 5-7 presentation slides, and sign up for a date to present at <https://docs.google.com/spreadsheets/d/1SuC3rHsw72XTVy-9iDYWge6pB-bn5NdZ-KDOv00PxRE/edit?usp=sharing> .

3. Grant Proposal

Students will write up a grant proposal for a fictitious funding agency. The purpose of the proposal is to convince the agency that your idea is worth funding, but the idea can be preliminary and you do not necessarily have to have many results yet. This should be a new idea, and not one that you have used for a previous class.

Format of Proposal:

Proposals should not exceed 12 pages and can be shorter. Twelve-point, Times New Roman font, 1.5 line spacing, and 1-inch margins are required.

Required elements of the proposal include:

1. Abstract describing the project purpose, data, and methods [max 1 page].
2. Description of research question, methodology, data, and timeline [max 6 pages].
3. References [max 1 page].
4. Graphs and Tables [max 4 pages].

4. Short Paper Critiques

Students will write up short critiques of papers (1-2 pages) which will be discussed during class. The short critique should include 4 sections: (i) what the main contribution of the paper is relative to the existing literature, (ii) the key elements of the empirical analysis (e.g., methodology, identification), (iii) what the paper does well, and (iv) concerns / suggestions for improvement.

We may also provide discussion questions to guide your critique, which you will be expected to answer, of course.

These short critiques can be written in bullet form, and should be handed in on Canvas before class the day we discuss the paper. There will be either 1 or 2 papers to critique each week.

We will likely call on individual students to share what they learned.

5. COVID-related Accommodations and Suggestions

The first two weeks of the class will be conducted online via zoom. Though the course is designed for synchronous learning, lectures will be recorded for students who cannot attend. If you require some other COVID-related accommodation, please email or set up an appointment to discuss. We're open to suggestions on how to keep the course interactive, effective and engaging as we work through this together. If possible, we will return to in-person lectures starting the third week of the quarter, but we will need to be flexible as the COVID-situation evolves.

Due Dates and Grades

Due date	Description	Contribution to Grade
As assigned	Short Paper Critiques.	10%
Monday, Jan. 24 th	Email two quick ideas to both Gordon and Eli for potential topics for your grant proposal: gdahl@ucsd.edu and elib@ucsd.edu	
Friday, Mar. 11 th	Turn in the final copy of your grant proposal via email to both Gordon and Eli.	50%
Around the time of your class presentation	Turn in your referee reports by email, to the professor teaching when you present.	40% (for report + presentation)

Content - BERMAN

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 (2006) *Modern Labor Economics, Theory and Public Policy*, (9th 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.

Reading List: *Subject to revision without warning.* The reading list is here to make our class time efficient, and to provide some guidance on where you would go to learn more on these topics.

The list is subject to renegotiation. You would renegotiate by writing a week before a given class with alternative suggestions.

Priority readings (*) are absolutely required. You are at risk of being asked about these in class, or, if it comes to that, being examined on their content.

O. Philosophical Approach (January 5)

* Lazear, Edward P. "Economic imperialism." *The Quarterly Journal of economics* 115, no. 1 (2000): 99-146.

I. Economics of the Family, Fertility and Demographics (January 5)

Background: Ray, Debraj *Development Economics* ch 9, or Weil, David *Economic Growth* (2nd edition) 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.

Vogl, Tom S. "Differential Fertility, Human Capital and Development," *Review of Economic Studies* 83, (2016): 365-401.

* 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" *American Economic Review*, 99(4), September 2009, pp. 1245-1277.

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).
- Gershoni, Naomi, and Corinne Low. "Older yet fairer: How extended reproductive time horizons reshaped marriage patterns in Israel." *American Economic Journal: Applied Economics* 2021, 13(1): 198-234.

II. Economics of Religion (January 12)

Social Services, Education and Fertility - Benign Clubs

- * Iannaccone, Laurence R (1998) "Introduction to the Economics of Religion," *Journal of Economic Literature*, 36, pp. 1465-1496.
- * Smith, Adam, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Reprint of 1776 version) Modern Library: New York; 1965. Book V, Chapter I, Part III, Article III "Religious Institutions."
- * 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, "Sect, Subsidy and Sacrifice: An Economist's View of Ultra-Orthodox Jews," *Quarterly Journal of Economics*, August 2000.
- Chen, Daniel, "Club Goods and Group Identity: Evidence from Islamic Resurgence during the Indonesian Financial Crisis" *Journal of Political Economy*, 118(2), 2010.
- Liang, Wang Choon (2009) "Restricting Secular Education - Prohibition or Sacrifice? Evidence from the Amish," UCSD mimeo, <http://www.econ.ucsd.edu/~lwang/AmishRestriction.pdf>
- Aimone, Jason, Laurence Iannaccone, Michael Makowsky and Jared Rubin, "Endogenous Group Formation via Unproductive Costs," Chapman U. mimeo, 2011. <http://faculty.fullerton.edu/jrubin/EndogGroup.pdf>
- Andreoni, James, Abigail Payne, Justin D. Smith, David Karp, "Diversity and Donations: The Effect of Religious and Ethnic Diversity on Charitable Giving," *Journal of Economic Behavior and Organization*, 128 (August 2016).

Religion and Terrorism – Violent Clubs

- Berman, Eli and Larry Iannaccone, "Religious Extremists: The Good the Bad and the Deadly," (with Laurence Iannaccone), NBER WP 11663 and *Public Choice* (2006).
- * Berman, Eli and Laitin, David, "Religion, Terrorism and Public Goods: Testing the Club Model" *Journal of Public Economics*, 2008.
- Skarbeck, David, "Governance and Prison Gangs," *American Political Science Review*, November 2011.
- Berman, Eli, *Radical, Religious and Violent, The New Economics of Religion*, MIT Press 2009.

III. Development and Conflict (January 19)

Note: This material is frequently updated at esoc.princeton.edu

Overview

Blattman, Christopher and Edward Miguel, “Civil War” *Journal of Economic Literature*, 48:1 (2010). DOI: 10.1257/jel.48.1.3

Berman, Eli and Aila Matanock, “The Empiricists’ Insurgency,” *Annual Review of Political Science* 18:1 (2015). DOI: 10.1146/annurev-polisci-082312-124553

Berman, Eli, Joseph Felter and Jacob N. Shapiro, *Small Wars, Big Data*, Princeton University Press, 2018.

Why violence? Pareto would object.

Fearon, James (1995), Rationalist Explanations for War, *International Organization* 49: pp. 379-414.

Does Poverty cause Political Violence?

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).

Lucas Condra “The Perils of the Periphery,” UCSD mimeo.

Berman, Eli, Jacob Shapiro and Joseph Felter, “Do Working Men Rebel? Insurgency and Unemployment in Iraq and the Philippines,” *Journal of Conflict Resolution* 2011.

Development in Conflict Spaces

Akerloff, George A., and Janet L. Yellen, “Gang Behavior, Law Enforcement and Community Values,” in *Values and Public Policy*, Henry J. Aaron, Thomas E. Mann and Timothy Taylor, eds. (Washington D.C.: Brookings Press, 1994).

* Berman, Eli, Jacob Shapiro and Joseph Felter, “Can Hearts and Minds Be Bought?” *Journal of Political Economy*, August 2011.

Berman, Eli, Joseph Felter, Jacob N. Shapiro and Erin Troland. 2013. “Modest, Secure and Informed: Successful Development in Conflict Zones,” *American Economic Review Paper and Proceedings*, Vol. 103 No. 3 (May 2013), 512-17.

IV. Labor Demand (January 26)

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.
- 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.
- 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.

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.

V. Increased Returns to Skills and Increased Income Inequality (February 2)

The basic facts on quantities and prices

Picketty, Thomas, and Emmanuel Saez, ["Income Inequality in the United States, 1913-1998", *Quarterly Journal of Economics*, 118\(1\), 2003, 1-39](#) (Longer updated version published in A.B. Atkinson and T. Piketty eds., Oxford University Press, 2007) (Tables and Figures **Updated to 2017** in Excel format, March 2019)

Autor, David "Work of the Past, Work of the Future," NBER WP #25588, February 2019.

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.

William H. Dow, Anna Godøy, Christopher A. Lowenstein, and Michael Reich [Can Economic Policies Reduce Deaths of Despair?](#) NBER WP #25787

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. 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.

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*.

Autor, David, David Dorn, Gordon Hanson, and Kaveh Majlesi. 2020. "Importing Political Polarization? The Electoral Consequences of Rising Trade Exposure." *American Economic Review*, 110 (10): 3139-83.

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.
- Rodrik, Dani, "Unconditional Convergence," NBER WP #17546, October 2011.

Political Response

- Alvaredo, Facundo, Anthony B. Atkinson, Thomas Piketty, and Emmanuel Saez. 2013. "The Top 1 Percent in International and Historical Perspective." Journal of Economic Perspectives, 27 (3): 3-20.
- Bonica, Adam, Nolan McCarty, Keith T. Poole, and Howard Rosenthal. 2013. "Why Hasn't Democracy Slowed Rising Inequality?" *Journal of Economic Perspectives*, 27 (3): 103-24.

Update

- Autor, David H. 2019. "Work of the Past, Work of the Future." [AEA Papers and Proceedings, 109: 1-32.](#)
- Binder, Ariel J., and John Bound. 2019. "The Declining Labor Market Prospects of Less-Educated Men." Journal of Economic Perspectives, 33 (2): 163-90.
- Autor, David, Claudia Goldin and Lawrence F. Katz, "The Race Between Education and Technology Revisited," AEA Papers and Proceedings 2020, 110: 347–351. Appendix: <https://doi.org/10.1257/pandp.20201061>
- Lee, Sang Yoon (Tim), Minsung Park, Yongseok Shin. "Hit Harder, Recover Slower? Unequal Employment Effects of the COVID-19 Shock," Federal Reserve Bank of St. Louis *Review*, Fourth Quarter 2021, pp. 367-83. <https://doi.org/10.20955/r.103.367-83>