

University of Miami
ECO 511 Labor Economics II (OB)
Syllabus
Spring 2006

Professor: Shirley H. Liu

Office: Jenkins 521C

Office Hours: Tuesday, 3:30pm ~ 5:00pm, and by appointment

Telephone: (305) 284-4738

E-mail address: s.liu2@miami.edu

General Information: This course is designed as a survey of topics in labor economics. The aim of this course is to acquaint students with core topics in labor economics and to encourage the development of independent research interests in current labor economics topics. The primary topics of the course, such as the determinants of labor supply and labor demand is discussed. The heart of this course is composed of microeconomic models of decision-making by individuals and families. Topics within labor economics, such as family formation, childbearing decisions, and investments in human capital, etc, will also be selectively covered. A major focus will be on empirical methods for analyzing questions of interest.

Pre-requisites: Good working knowledge of graduate microeconomics and econometrics is required. Familiarity with at least one statistical software package (e.g. STATA, SAS) will be helpful.

Course Requirements and Grading Policies:

Field classes mark the transition from core course work to independent research, and a primary function of field courses is to facilitate this function. Consequently, 50% of your grade will rest upon an independent research paper (discussed below). The reminder of your grade will depend on referee reports of two recently published or unpublished working papers (25% total) and some problem sets (25% total).

1. Referee Reports (25% Total, 12.5% each)

- An important skill to develop as you begin pursuing independent research is the ability to critique other people's work. Each referee report should be no longer than three pages (double-spaced, 12-point font). The subject of your report should be a recently published or working paper (unpublished) which is not on the reading list. You should obtain the instructor's permission for your selection of papers before proceeding with the assignment. In your referee reports, you should briefly describe the purpose of the paper, its contributions, and its conclusions. The key is to figure out the strengths and weaknesses of the paper and come up with your own suggestions how these issues can be addressed. The first referee report is due on March 3, and the second on March 28.

2. Problem Sets – (25% Total)

- Problem sets will be assigned throughout the semester related to topics discussed in class.

3. Research Paper – (50% Total)

- The research paper is an opportunity for students to develop the necessary skills needed to conduct independent research. There will be a number of steps to the completion of the research paper. First, you must submit a short proposal explaining what you propose to write about and the motivation for such a study (Include a brief literature review). The proposal is due on February 24 and should be no longer than 2 pages. The paper should be empirical in nature. In order for you to receive feedbacks before handing in the final draft of your paper, a first draft of the paper is due on March 31. The last two lectures will be devoted to short presentations of your work (20 minutes), and the final draft will be due on the last day of class.

Academic Dishonesty: Any form of academic dishonesty, such as cheating/plagiarizing (misrepresenting someone else's work/idea as ones own) on any assignments, will not be tolerated. A student found in such a situation will be given an "F" for the course and be brought to the Honor Council for further penalties

Tentative Course Outline and Suggested Reading List

The following is a tentative course outline and selected readings. Changes will be announced in lecture and additional readings may be required and will be announced throughout the course:

1. Introduction to Labor Economics

- Labor market outcomes in the U.S.: A historical overview
 - Data sources
 - Research in labor economics
- (a) C. Goldin, "Labor Markets in the 20th Century," NBER Historical Working Paper No. 58, June 1994 (forthcoming in Cambridge Economic History of the US)
- (b) Becker, G. (1994), *A Treatise on the Family*, Harvard University Press, Cambridge, MA
- (c) Hamermesh, D. S. (1999), "The Art of Labormetrics," NBER Working Paper 6927, Cambridge, MA
- (d) "Economics Uncut: A Complete Guide to Life, Death, and Misadventure," Ed. S. W. Bowmaker. Edward Edgar Publishing Inc., 2005

2. The Neoclassical Labor Supply Model

- Basics
 - Taxes and non-linear budget constraints
 - Joint labor supply (Household)
 - Estimation Issues
- (a) Killingsworth, M. (1983), *Labor Supply*, Cambridge University Press, Cambridge: Chp 1~4, 6
- (b) Pencavel, J. (1986), "Labor Supply of Men: A Survey," *Handbook of Labor Economics*, (O. Ashenfelter and R. Layard Ed.), North Holland, Amsterdam
- (c) Killingsworth, M. and J. Heckman, "Female Labor Supply: A Survey," *Handbook of Labor Economics*, (O. Ashenfelter and R. Layard Ed.), North Holland, Amsterdam
- (d) Heckman, J. (1974), "Shadow Prices, Market Wages, and Labor Supply," *Econometrica*, 42(4), 679-694
- (e) Heckman, J. (1979), "Sample Selection Bias as a Specification Error," *Econometrica*, 47(1), 153-161
- (f) Mroz, T. (1987), "The Sensitivity of an Empirical Model of Married Women's Hours of Work to Economic and Statistical Assumptions," *Econometrica*, 55(4), 765-799
- (g) Moffit, R. (1990), "The Econometrics of Kinked Budget Constraints," *Journal of Economic Perspectives*, 4(2), 119-139
- (h) Hamermesh, D. S. (1999), "The Art of Labormetrics," NBER Working Paper No. 6927.

3. The Neoclassical Labor Demand Model

- Static Model of Labor Demand

- (a) D. Hamermesh, "The Static Demand for Labor," *Labor Demand*, Ch 2-5

4. Selected Topics in Labor Economics

- Household Production

- (a) Becker, G. (1994), *A Treatise on the Family*, Harvard University Press, Cambridge, MA: Chp 1,2,
(b) Becker, G. (1965), "A Theory of the Allocation of Time," *Economic Journal*, 75, 493-517
(c) Gronau, R. (1986), "Home Production: A Survey", *Handbook of Labor Economics*, (O. Ashenfelter and R. Layard Ed.), North Holland, Amsterdam
(d) Juster, F., and F. Stafford (1991), "The Allocation of Time: Empirical Findings, Behavioral Models, and Problems of Measurement," *Journal of Economic Literature*, 29, 471-52

- Family Formation and Decision-making

- (a) Montgomery, M., and J. Trussell (1986), "Models of Marital Status and Childbearing," *Handbook of Labor Economics*, (O. Ashenfelter and R. Layard Ed.), North Holland, Amsterdam
(b) Becker, G. (1991), *A Treatise on the Family*, Harvard University Press, Cambridge, MA: Chp 4,5,10
(c) Becker, G. (1973), "A Theory of Marriage: Part I," *Journal of Political Economy*, 81(4), 813-846
(d) Weiss, Y., and R. Willis (1997), "Match Quality, New Information, and Marital Dissolution," *Journal of Labor Economics*, Vol. 15, No. 1, Part 2, S293-S329
(e) Willis, R. (1987), "What Have We Learned from the Economics of the Family?" *American Economic Review*, 77, 68-81
(f) Becker, G., and H. Lewis (1973), "On the Interaction Between the Quantity and Quality of Children," *Journal of Political Economy*, Vol. 81, No. 2, Part 2, S279-S288
(g) Bronars, S., and J. Grogger (1994), "The Economic Consequences of Unwed Motherhood: Using Twins as a Natural Experiment," *American Economic Review*, 84, 1141-1156
(h) Browning, M. (1992), "Children and Household Economic Behavior," *Journal of Economic Literature*, 30(3), 1434-1475
(i) Goldin, C., "Career and Family: College Women Look to the Past," NBER Working Paper No. 5188, July 1995

- Human Capital

- (a) Griliches, Z. (1977), "Estimating the Returns to Schooling: Some Econometric Problems," *Econometrica*, 45, 1-22
(b) Mincer, J. (1974), "Schooling, Experience, and Earnings," NBER Working Paper
(c) Becker, G. (1993), *Human Capital*, University of Chicago Press, Chicago, IL.

- (d) Ben-Porath, Y. (1967), "The Production of Human Capital and the Life-Cycle of Earnings," *Journal of Political Economy*, 75, 352-365
- (e) Willis, R. "Wage Determinants," *Handbook of Labor Economics*, Chp. 10
- (f) Angrist, J. D., and A. Kruger (1991), "Does Compulsory School Attendance Affect Schooling and Earnings?" *Quarterly Journal of Economics*, 106(4), 979-1014
- (g) Card, D. "The Causal Effect of Education on Earnings," *Handbook of Labor Economics*, Vol. III.
- (h) Freeman, R. (1975), "Overinvestment in College Training?" *Journal of Human Resources*, 10(3), 287-311
- (i) Hanushek, E. (1996), "Measuring Investment in Education," *Journal of Economic Perspectives*, 10(4), 9-30
- (j) Card, D., and A. Krueger (1996), "School Resources and Student Outcomes: An Overview of the Literature and New Evidence from North and South Carolina," *Journal of Economic Perspectives*, 10(4), 31-50