

Labor Economics

Syllabus
UC3M, Spring 2021

Jan Stuhler

1 Course Description

Courses on labor economics typically fall into one of two categories. The “classic” format covers the basic components and models of the labor market, with applications that appear directly relevant for policy (such as minimum wages or active labor market policies). The alternative is the “topics” format, which puts more emphasis on empirical research in the discipline. A bewildering range of subjects are considered part of labor economics, perhaps because (i) *every* question can be related to labor and human capital (Blinder, 1974), and (ii) labor economists were involved in lots of the pioneering work in applied microeconometrics. But while exciting, a topics-based course might provide little systematic knowledge about the functioning of labor markets.

This course therefore attempts to bridge the two formats. The first part covers fundamental aspects of the labor market. We start with basic models of labor supply and demand, and empirical work on its central parameters from a micro and macro perspective. We then study different types of market failures and frictions. The other parts of the course are structured around a number of key empirical literatures. We first review research on inequality, from an individual, firm and intergenerational perspective. We then cover causal evidence on how labor markets adjust to shocks. Particular emphasis will be on the benefits and limitations of the “*area approach*”, which has become the dominant approach to causal identification in many applied literatures.

2 Evaluation

You will answer two problem sets, which count for 10% of the grade each. The rest of your grade is determined by the final exam (60%) and a presentation (20%). Class participation will be the combination of regular participation and a short presentation of a paper from the syllabus. Extra grade will be given to students that critically assess the results of the paper, and/or are able to put it into its wider context.

3 References

We will use some material from the textbook Cahuc, Carcillo and Zylberberg (2014, or previous edition). However, we use this textbook only as a starting point on some of the topics, and instead focus on research papers. Borjas’ “Labor Economics” is a useful (and simpler) background reading. I expect students to read some of them prior to the lectures to ensure a lively discussion. The main readings are marked with an asterisk, and I will give further indications in class on which aspect of each paper is most important.

4 Topics

1. Foundations (up to 4 weeks)

(a) Static and Intertemporal Labor Supply

References: Cahuc, Carcillo and Zylberberg, Chapter 1.* Eissa and Liebman (1996), Camerer et al. (1997), Blundell and MaCurdy (1999), Imbens, Rubin and Sacerdote (2001), Imai and Keane (2004), Farber (2005), Blundell, MaCurdy and Meghir (2007), Keane (2011), Chetty et al. (2011)*, Chetty et al. (2013), Farber (2015)*, Keane and Rogerson (2015), Kleven (2016)*, Cesarini et al. (2017), Brodeur and Nield (2018), Sigurdsson (2018)*

(b) Human Capital

References: Cahuc, Carcillo and Zylberberg, Chapter 4.* Spence (1973), Mincer (1974), Card (1993), Jaeger and Page (1996), Moretti (2004), Heckman, Stixrud and Urzua (2006), Heckman, Lochner and Todd (2006)*, Cunha and Heckman (2007), Lazear (2009), Devereux and Hart (2010), Pop-Eleches and Urquiola (2013), Castex and Kogan Dechter (2014), Heckman and Mosso (2014)*, Jackson, Johnson and Persico (2016), Bhuller, Mogstad and Salvanes (2017), Deming (2017), Nybom (2017)*, Arteaga (2018)

(c) Static and Dynamic Labor Demand

References: Cahuc, Carcillo and Zylberberg, Chapter 2.* Bentolila and Bertola (1990), Hamermesh (1993), Kremer (1993)*, Hamermesh and Pfann (1996)*, Abowd and Kramarz (2003), Garicano and Rossi-Hansberg (2006), Kramarz and Michaud (2010), Lewis (2013), Lichter, Peichl and Siegloch (2015), Jäger (2016), Deming (2017), Beaudry, Green and Sand (2018)*

(d) Gender, Race, and Discrimination

References: Cahuc, Carcillo and Zylberberg, Chapter 8. Heckman (1998)*, Goldin and Rouse (2000), Altonji and Pierret (2001), Acemoglu, Autor and Lyle (2004), Bertrand and Mullainathan (2004), Kroft, Lange and Notowidigdo (2013), Pallais (2014), Bertrand and Duflo (2016)*, Pallais and Sands (2016)*, Glover, Pallais and Pariente (2017), Olivetti and Petrongolo (2016)*, Kleven, Landais and SØgaard (2018), Ramachandran and Rauh (2018), Sarsons (2019)

(e) Equilibrium Search and Monopsony Models

References: Cahuc, Carcillo and Zylberberg, Chapter 5, Manning (2003), “*Monopsony in Motion*”. Jacobson, LaLonde and Sullivan (1993), Mortensen and Pissarides (1994), Burdett and Mortensen (1998), Shimer (2005), Hall (2005), Rogerson, Shimer and Wright (2005)*, Lalive, Ours and Zweimuller (2006)*, Card, Chetty and Weber (2007), Hagedorn and Manovskii (2008), Manning (2011)*, Rogerson and Shimer (2011), Elsby, Michaels and Ratner (2015)*, Lalive, Landais and Zweimüller (2015), Dustmann et al. (2016), Naidu, Nyarko and Wang (2016), Nekoei and Weber (2017), Jäger et al. (2018)*, Caldwell and Harmon (2019), Gulyas and Pytka (2019).

2. Inequality and Intergenerational Mobility (2 weeks)

(a) Income Inequality, Polarization, and Technological Change

References: Cahuc, Carcillo and Zylberberg, Chapter 11. Katz and Murphy (1992)*, Autor and Katz (1999), Abowd, Kramarz and Margolis (1999), Card and Lemieux (2001), Leuven, Oosterbeek and Van Ophem (2004), Goldin and Katz (2007), Autor, Katz and Kearney (2008)*, Dustmann, Ludsteck and Schönberg (2009), Acemoglu and Autor (2011)*, Atkinson, Piketty and Saez (2011), Carneiro and Lee (2011), Alvaredo et al. (2013)*, Card, Heining and Kline (2013), Piketty and Zucman (2014), Goos, Manning and Salomons (2014), Autor (2014), Autor (2015), Acemoglu and Restrepo (2017)*, Song et al. (2018)*

(b) Intergenerational Mobility

References: Solon (1999) and Black and Devereux (2011)*. Becker and Tomes (1986)*, Goldberger (1989)*, Mazumder (2005), Björklund, Lindahl and Plug (2006), Björklund, Jäntti and Lindquist (2009), Pekkarinen, Uusitalo and Kerr (2009), Holmlund, Lindahl and Plug (2011)*, Loeken, Mogstad and Wiswall (2012), Corak (2013), Dahl, Kostøl and Mogstad (2014), Chetty et al. (2014a)*, Chetty et al. (2014b), Clark and Cummins (2014), Lindahl et al. (2015), Olivetti and Paserman (2015)*, Chetty et al. (2016), Chetty, Hendren and Katz (2016), Nybom and Stuhler (2017), Markussen and Røed (2017), Brinch, Mogstad and Wiswall (2017), Braun and Stuhler (2018)*, Chetty and Hendren (2018b)*, Chetty and Hendren (2018a), Güell et al. (2018)

3. The Functioning of (Local) Labor Markets (up to 4 weeks)

(a) Area Approach. Shift-Share Instrumental Variables.

References: Bartik (1991)*, Amior and Manning (2018), Goldsmith-Pinkham, Sorkin and Swift (2017), Borusyak, Hull and Jaravel (2018), Jaeger, Ruist and Stuhler (2018), Helm (2019), Adão, Kolesár and Morales (2018)*

(b) Labor Supply Shocks and Immigration

References: Card (1990)*, Hunt (1992), Borjas, Freeman and Katz (1996), Borjas, Freeman and Katz (1997), Borjas (1999)*, Card (2001), Borjas (2003)*, Cohen-Goldner and Paserman (2011), Lewis (2011)*, Manacorda, Manning and Wadsworth (2012)*, Ottaviano and Peri (2012)*, Borjas, Grogger and Hanson (2012), Dustmann and Preston (2012), Llull (2013), Dustmann, Frattini and Preston (2013), Borjas (2013)*, Milanovic (2015), Dustmann, Schönberg and Stuhler (2016)*, Amior (2016), Dustmann, Schönberg and Stuhler (2017)*, Borjas (2017)

(c) Labor Demand Shocks and Recessions

References: Topel (1986), Bartik (1991)*, Blanchard and Katz (1992)*, Carrington (1996)*, Kline (2008), Notowidigdo (2011), Adhvaryu, Chari and Sharma (2012), Mian and Sufi (2014), Monte, Redding and Rossi-Hansberg (2015)*, Hagedorn, Manovskii and Mitman (2015), Yagan (2016), Greenaway-McGrevy and Hood (2016), Meer and West (2016), Manning and Petrongolo (2017), Monras (2018), Bentolila, Jansen and Jiménez (2018), Amior and Manning (2018)*

(d) Employment Protection and Regulation

References: Cahuc, Carcillo and Zylberberg, Chapter 12. Card and Krueger (1994), Dickens, Machin and Manning (1999), Wascher and Neumark (2000), Autor, Donohue and Schwab (2006), Dube, Lester and Reich (2016), Autor, Manning and Smith (2016)*, Downey (2017), Harasztosi and Lindner (2018), Monras (forthcoming)

(e) Trade and Labor Markets, Local Fiscal Multipliers, and other applications.

References: Autor, Dorn and Hanson (2013)*, Serrato and Wingender (2014)*, Bloom, Draca and Van Reenen (2016), Autor, Dorn and Hanson (2016)*, Acemoglu and Restrepo (2017)*, Helm (2019), Dix-Carneiro and Kovak (2017), Feler and Senses (2017)*, Dauth, Findeisen and Suedekum (2017), Chodorow-Reich (2017)

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