Logistics

Two lectures per week on Monday and Wednesday from 2–3:20pm in 326 David Kinley Hall

Description

This is a graduate course in labor economics, appropriate for PhD students in the Department of Economics and other students with permission of the instructor. The focus of the course is theoretical models used in labor economics, and the aim is to both acquaint students with canonical models in the field, as well as to encourage the development of the applied-micro modeling skills necessary to produce theoretical models that support empirical research. Although theory will be the emphasis, we will also cover related empirical literature.

The syllabus contains readings of two sorts. Readings with stars will be emphasized in lectures. Other readings may be discussed briefly, but are also listed as a guide to the literature. The Compass website has readings and other course materials. Students who are interested in pursuing research in labor economics or other applied micro fields are strongly encouraged to attend the weekly student workshop, which meets on Tuesday from 12:30–1:30pm and the applied micro seminar which meets on Monday from 3:30–5pm.

Course Materials

Most required readings will be available via links on the course website. Many readings will be drawn from David Autor and Daron Acemoglu’s “Lectures in Labor Economics” (denoted “AA” below) and the Handbook of Organizational Economics, both of which are available electronically via the course website. There is one book I recommend you purchase:


In addition, you may find it helpful to have access to:


Grading and Requirements

The course is comprised of three modules: micro-labor models, personnel/organizational models, and macro/matching models. There will be one problem set for each module and a final exam at the end of the term. In addition, for each module, you will work in groups of 2-3 to study in depth a single paper and present this to the class in presentations of 30-45 minutes. Finally, you will each individually complete a term project that involves developing a model that can either be used to explain empirical results you have already developed or anticipate developing, or results from the literature. More information on the group and term projects will be provided in class. The grade will be comprised of 20% problem sets, 20% paper presentations, 30% term project and 30% final exam.

Course Readings

Module 0: Introduction


Hal Varian. Building an economic model in your spare time. 1994


Module A: Micro Labor Models

1. Investment in Skills

Overviews and Classics:


The Basic Property-Rights Model


2. Investment in General Skills
3. Specific Skills, Investments and Learning


4. Signaling

★ AA, Chapter 2


Module 2: Personnel Models

*Overviews and Background*


A. Agency Models

*Formal Incentive Contracts*


**Evidence on Formal Incentive Contracts and Gaming**


**Relational Incentive Contracts**


No Incentive Contracts (e.g., “Career Concerns”)


B. Task assignment, Careers, and Employment Systems

Background


Job assignment


**Careers**

*Overview*


*Evidence*


*Theory and testing*


**Employment Systems**

*Overview*


C. Efficiency Wages, Unemployment and Organization of the Firm
AA, Chapter 7


### Module 3: Macro and Matching Models

*Overviews and Classics:*


Truman Bewley. *Why Wages Don't Fall During a Recession*. Harvard University Press, 1999

### A. Facts about the Labor Market and Hiring

★ Michael Elsby, Bart Hobjin, and Aysegul Sahin. The labor market in the great recession. spring 1–40, 1994. OECD (1994); Jobs Study Volumes 1 and 2


### B. The Partial Equilibrium Search Model

★ AA, Chapter 10


### C. The Basic Equilibrium Search Framework

★ AA, Chapter 11
Pissarides [2000, Chapters 1, 2 and 8]


D. Directed Search

AA, Chapter 13


E. Search with Multi-worker Firms


F. The Composition of Jobs

AA, Chapter 12


G. Assignment Models
