

**Economics 696H:
Labor Economics I
Fall 2005**

1 Course Outline

The objectives of this course are: 1) to cover three broad topics - human capital and earnings, program evaluation, and migration. 2) To provide you with a set of econometric tools which will enable you to write an empirical paper. 3) To learn how to read an empirical paper. I will give particular emphasis to estimation and identification issues. Knowledge of cross-sectional and panel data econometrics is required.

The format of the course is a mix of standard lectures, student presentation of selected papers followed by a general discussion, and in-class correction of assigned exercises. The presentations last 30 minutes. The week before the presentation I will provide you with a list of key questions that everybody is required to answer. The speaker will have to answer these questions during the presentation (as well as summarizing the paper). After each presentation there will be a 20 minute general discussion, where we will go through the questions together.

I will occasionally assign some exercises, which you will solve during the week, and discuss in class during the following meeting.

2 Logistics

Meetings: The course meets on Thursdays, 9.00-11.30.

Distribution of Course Materials: Lecture notes for each topic will be distributed in class.

Office hours: by appointment. My office is McClelland Hall 401AA. You may contact me by email: angelucm@eller.arizona.edu.

3 Textbooks

There is no formal textbook. The course is based on lecture notes and papers. For basic econometrics reference, I recommend the Wooldridge graduate textbook, "Econometric analysis of cross sectional and panel data". For

basic labor references see either “Labor Economics”, by Borjas, or “Modern Labor Economics”, by Ehrenberg and Smith. For good summaries of the literature on specific topics, you may read the relevant chapters in the “Handbook of Labor Economics” (Vol. III, a,b,c). They are very expensive, but most chapters are also available as working papers, by checking the authors’ web pages. I will be handing in reading lists for the various topics during class.

4 Assessment

There will be no written exam. Assessment will be based on 1) individual presentations of selected key papers (related to the material covered in the lectures); 2) class participation, which I consider extremely important; and 3) presentation of a paper proposal.

- Presentation (30%). Each student will present one paper, from the list provided below. The presentation lasts 30 minutes. The week before the presentation I will provide you with a list of key questions that the speaker will have to answer during the presentation (as well as summarizing the paper).
- Class participation (20%). This covers 1) answering the general questions that I may ask during the lectures. 2) Answering the questions related to individual presentations. 3) Solving the assigned exercises.¹
- Paper proposal (50%). The paper proposal must be linked to the material we covered in class. This means either focussing on human capital, migration, or program evaluation, or using some of the econometric techniques that we discussed in class. The proposal must have: 1) a clear research idea; 2) an explanation of its relevance, and its links with the existing literature; 3) an explanation of the data used (you will use *existing* data. You may use either one of the data sets I have, or any other available ones); 4) a clear explanation of the identification issues, and how you propose to estimate your parameter of interest. You will present your research proposal during the last two classes. The presentations will last 30 minutes.

¹Note that I will not grade the individual exercises. You will be assessed by discussing how you solved them in class.

5 Topics

Here is a broad outline of the topics we'll cover in the course. Note that the actual content of the course may slightly vary: I will cover extra (or less) material depending on time.

1. Human capital

- Stylized facts: education, earnings levels and growth, unemployment and labor force participation
- Human capital accumulation and life-cycle models
- From theory to empirics: Mincer and beyond
- Survey of literature on returns to schooling and some conclusions
- Early childhood interventions: cognitive and non-cognitive skills and the importance of parental background.
- School quality: policy relevance, labor market impacts

2. Program evaluation

- Average treatment on the treated (ATT) effect, average treatment effect, and the missing counterfactual problem
- Common effects versus heterogeneous effects
- Estimation of ATT effects using randomized data
- Estimation using non-randomized data: selection on observables (matching and OLS)
- Estimation using non-randomized data: selection on unobservables and Local Average Treatment Effect (LATE)
- Estimation using non-randomized data: selection on unobservables and Instrumental Variables
- Estimation using random assignment at the margin: regression discontinuity design(RDD)
- General equilibrium effects

3. Migration

- Migration theories
- Types of migration

- Migrant self-selection
- Effect of migration on the earnings of natives
- The effect of wages, border enforcement, aid, and networks

6 Tentative schedule

See excel file.

7 List of papers for individual presentation

- P1: De Giorgi, G. (2005), “Long Term Effects of a Mandatory Multistage Program: The New Deal for Young People in the UK”, mimeo, University College London.
- P2: Black, S. (1999), “Do Better Schools Matter? Parental Valuation of Elementary Education”, QJE, 114(2).
- P3: Black, Dan and Jeffrey Smith, (2004), “How Robust is the Evidence on the Effects of College Quality? Evidence from Matching”, Journal of Econometrics. 121(1): 99-124.
- P4: Richard Blundell, Monica Costa Dias, Costas Meghir and John Van Reenen, (2004), “Evaluating the Employment Impact of a Mandatory Job Search Program”, Journal of the European Economic Association, MIT Press, vol. 2(4), pages 569-606.
- P5: Schultz, T.P. (2004), “School subsidies for the poor: evaluating the Mexican Progresa poverty program”, Journal of Development Economics, vol. 74, issue 1, pages 199-250.
- P6: Card, D. (1995). “Using Geographic Variation in College Proximity to Estimate the Return to Schooling”. In Christofides, Louis; Grant, E. Kenneth; Swidinsky, Robert (eds.) Aspects of Labour Market Behaviour: Essays in Honour of John Vanderkamp. Toronto; Buffalo and London: University of Toronto Press, 1995, pages 201-22. (also as NBER WP).
- P7: Card, D. (1990), “The Impact of the Mariel Boatlift on the Miami Labor Market”, Industrial and Labor Relations Review, vol. 43, no. 2, p. 255. Also, read the related part on “the Mariel boatlift that wasn’t there” from J. Angrist and A. Krueger, “Empirical Strategies

in Labor Economics”, Chapter 23 in O. Ashenfelter and D. Card, eds.,
The Handbook of Labor Economics, Volume III, North Holland, 1999.

- P8: Friedberg, R. (2001), “The Impact Of Mass Migration On The Israeli Labor Market”, The Quarterly Journal of Economics, MIT Press, vol. 116(4), pages 1373-1408.
- P9: Ichino, A. and Winter-Ebmer, R. (2004), “The Long-Run Educational Cost of World War Two”, Journal of Labor Economics, 22, (1), 57-86.