Labor Economics I  
Fall 2010

Instructor:

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Class Schedule:

Wednesday 10-12, Room 624, 19 W. 4th Street

Office Hours:

By appointment (send me an e-mail to set one up).

Course Objectives:

The objective of the course is to acquaint students with modern topics, modeling strategies, econometric methods, and empirical work in the field of labor economics. We will cover topics in the analysis of labor market dynamics [(unemployed) search and informational models of turnover], models of the employment relationship in the presence of moral hazard, alternative models of wage determination, bargaining models of household behavior, and equilibrium models of human capital investment, earnings, and employment. For each of the topics covered we will begin by presenting some of the relevant theoretical models that have been developed. We will then turn our attention to issues of model specification and estimation given the type of data typically available to labor economists. We intend to spend roughly equal amounts of time on theoretical and empirical issues.

Prerequisites:

One year of microeconomic theory and Econometrics II or its equivalent.

Requirements and Grading:

1. There is a take-home examination at the end of the term. Questions will be based on the required material on the reading list and lecture material.

2. During the semester I will hand out 4 or 5 problem sets which you are expected to complete and hand-in. The possible grades will be good, satisfactory, and unsatisfactory. The problem sets will emphasize an equal amount of theory, econometrics, and empirics.
Readings:
The items on the reading list marked with an asterisk (*) are required readings. You should be able to find almost everything on-line. If you have difficulties locating something, let me know.

Topics:

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**Labor Market Dynamics**

**Household Economics**

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**Asymmetric Information in the Labor Market**

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**Other Equilibrium Models of the Labor Market**

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Reading List

Note: Selections with (*) are required

1.A. Describing Labor Market Dynamics


1.B. Unemployed Search Theory

1. *Burdett and Mortensen (from 1.A), continued.

2. *Flinn (from 1.A), continued.


1.C. Econometrics of Unemployed Search


1.D. Matching, Bargaining, and Search


1.E. Job Mobility


13. *Flinn, C. Minimum Wage, Chapter 10

### 2.A Household Bargaining and Labor Supply


### 2.B Models of Household Formation and Dissolution


2.C Marital Sorting


3.A Principal-Agent Problems in the Labor Market


3.B. Estimation of Models with Moral Hazard


4.A Comparative Advantage


4.B Empirical Research on Comparative Advantage and Compensating Differentials


