Instructor:

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Class Schedule:

Wednesday 10-12, Room 802, 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 models of compensating differentials. 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.

Text:

There is no required text, but my recent book (The Minimum Wage and Labor Market Outcomes, MIT Press, 2010) provides some background for continuous time search models and contains applications that will be discussed extensively in class. A text that gives a very good overview of most of the topics we cover in the course (and many that we will not), though without much attention to econometric issues, is Labor Economics by P. Calhuc and A. Zylberberg, MIT Press, 2004. It is well-written and could serve as a useful reference.

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 that you are expected to complete and hand in. The possible grades will be good, satisfactory, and unsatisfactory. The problem sets will attempt to emphasize an equal amount of theory, econometrics, and empirics.

3. Each student is expected to present one of the papers on the reading list (or an approved paper not on it) during the semester. The presentation, including a critical discussion of the paper, should be approximately 30 minutes in length.
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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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 Equilibrium Search


1.F Equilibrium Search Applications


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1.G. Job Mobility


2.B Models of Household Formation and Dissolution


**3.A Principal-Agent Problems in the Labor Market**


**3.B. Estimation of Models with Moral Hazard**


4.A Compensating Differentials


