Instructor:

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Office Hours:
Monday 2:30-4:00, or by appointment.

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, labor supply in both static and dynamic contexts, alternative models of wage determination, and bargaining models of household behavior. 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:

There will be two examinations in the course, a midterm and a final. The midterm exam will be a take-home which students will have approximately one week to complete and the final will be given during the final examination period. Both examinations will ask the student to apply what they have learned in class to the modeling of labor market phenomena, as well as to synthesize and/or critique the theoretical and econometric models which are presented in the lectures and/or the required readings. The examinations will have equal weight in the determination of the student’s final grade.

In addition students will be asked to give a report on one or more of the assigned readings in class [the readings will be selected by the student after consulting with me]. The reports will consist of a summarization of the basic argument of the paper(s), the model and the econometric methodology and empirical results [where appropriate]. The purpose of this exercise is to increase class participation and to familiarize students with the presentation of economic research.
Readings:

The items on the reading list marked with an asterisk (*) are required readings. Most of these will be downloadable from the course home page. Those required readings which are not downloadable will be on reserve in the C.V. Starr Center library on the third floor of 269 Mercer. Students who have difficulty finding other readings in which they are interested [especially unpublished working papers] should contact me.
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Labor Market Dynamics

Labor Supply and Household Economics

Asymmetric Information in the Labor Market

Human Capital Investment Decisions
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

2.A Static Labor Supply


2.B Life-Cycle Labor Supply

1. *Deaton and Muellbauer, Chapters 4.2,5.


2.C Household Bargaining and Labor Supply


2.D Models of Household Formation and Dissolution


3. A Job-Market Signalling


3. B Principal-Agent Problems in the Labor Market

1. *Kreps, D. A Course in Microeconomic Theory,* Ch. 16.


3. C. Estimation of Models with Moral Hazard


### 4.A Human Capital Investment Decisions


### 4.B Human Capital Investment and Cohort Size


