ECO 7321
LABOR ECONOMICS
Fall 2016

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Time: MW 10:30 – 11:50
Office Hours: TTH 12:00 – 1:30 and by appointment

Description: This is a one semester course, providing a brief introduction to a few topics in labor economics. The focus is on microeconomic issues related to labor supply, wage determination, and human capital. Two additional goals of the course: (i) improved understanding of econometric techniques and (ii) improved understanding of conducting economic research.

Prerequisite: Prior completion of first-year graduate courses is required.

Requirements: Class Participation (20%). The course will involve both lectures and discussions. Students will be told the paper(s) to be discussed each class and are expected to read them prior to class, to enthusiastically participate in the discussion, and to raise questions. When reading papers before class, some questions to answer in your own mind:

• What question is the author(s) seeking to answer?
• What is innovative in the paper (relative to the previous literature)?
• What econometric approach is being used in the paper? What is the source of identification? Does the method make sense? Is the method susceptible to potential biases?
• What data are used?
• What conclusions does the author(s) draw? Are they sensical?

To borrow from an anonymous professor’s syllabus: “This class is going to be a drag if people do not add their two cents every now and then. Since economists believe incentives matter, quality participation will be rewarded. The grade will obviously be subjective but the grade will not be capricious or arbitrary. The grade will be based on the quality of the content.”

Presentations (80%). Each student will present five articles in class:

• Static and Dynamic Labor Supply (II.b & II.c)
• Family and Effective Labor Supply, Job Search (IIId, II.e, II.f)
• Returns to Education, Monopsony, Discrimination (III.a, III.b, III.c)
• EPFs, School Choice, and Teachers (IV.a, IV.b, & IV.c)

For the final presentation, you need to pick a 2015-16 working paper on any topic related to labor economics (subject to my approval) from IZA (http://www.iza.org/) or NBER

• http://www.nber.org/papersbyprog/LS.html
• http://www.nber.org/papersbyprog/ED.html

Presentations: Guidelines for Presenters
The student will be responsible for giving a (strictly enforced) 25 minute presentation of the paper. The presentation should include slides in PowerPoint or Beamer (strongly preferred). You should view it as a presentation that one typically gives at conferences. You need to figure out how to convey the motivation and right mix of details in the given time constraint. A rough guide is as follows:

1. One slide on the motivation and research question.
2. One (brief) slide on the literature review to highlight what is new in the presentation paper.
3. If empirical, then one (brief) slide on the data source(s) and any peculiarities that are relevant for the econometric model.
4. Two to three slides on the model. If empirical, then discuss the empirical specification and estimation technique, focusing on why the author(s) made the choices they did and what the key identifying assumptions are for consistency, inference, etc. If theoretical, then discuss the basic
structure of the model, focusing on why the author(s) made the choices they did and what the key assumptions imposed for tractability.

5. One (brief) slide on the major findings of the paper.
6. One slide on your criticisms or shortcomings of the econometrics.
7. One slide on what you would do differently or future extensions.

Important Idea #1: Your slides must be in your own words! Do not cut and paste directly from the article and read to us. Treat the slides like normal plagiarism rules apply.

Important Idea #2: The point of a presentation is communication to an audience. If the audience does not understand the paper after your presentation, then you have failed.

Important Idea #3: Nothing should be included in your slides that you do not understand. Complete understanding of the paper and coherent presentation of the econometric methodology may require you to read additional papers cited in the paper! You should then consult me prior to the presentation if you are still unclear about something.

Presentations: Guidelines for Audience
The audience is required to actively pay attention to the presentation. You should interrupt with questions if anything is unclear.

Textbooks: No textbook is required, but a good econometrics text is highly recommended:
- Cameron, A.C. and P.K. Trivedi, Microeconometrics: Methods and Applications
- Greene, W.H., Econometric Analysis
- Wooldridge, J., Econometric Analysis of Cross Section and Panel Data

Learning Objectives
- Understand the static neoclassical model of labor supply
- Be able to extend the static neo-classical model to incorporate household decisions and dynamics
- Understand the issues involved with empirically testing models of individual labor supply
- Demonstrate knowledge of job search theory and its implications for policy
- Develop a firm understanding of the empirical and theoretical literature on the returns to education
- Be able to apply to apply economic models of production functions to the education context
- Understand the issues involved in the current debate over school accountability, school choice, and teacher compensation

Class Schedule
- First day of class: Mon, Aug 22
- No class: Mon, Sep 5; Mon, Oct 10
- Last class: Mon, Dec 5

* Disability Accommodations: Students needing academic accommodations for a disability must first contact Disability Accommodations & Success Strategies (DASS) at 214-768-1470 or www.smu.edu/alec/dass to verify the disability and to establish eligibility for accommodations. They should then schedule an appointment with the professor to make appropriate arrangements. (See University Policy No. 2.4; an attachment describes the DASS procedures and relocated office.)

* Religious Observance: Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)

* Excused Absences for University Extracurricular Activities: Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)
I. Overview on Causation, Empirical Analysis


II. Labor Supply

II.a. General


II.b. Static Labor Supply


II.c. Dynamic Labor Supply


***** Presentations *****

II.d. Family Labor Supply


II.e. Effective Labor Supply

II.f. Job Search


***** Presentations *****

III. Compensation

III.a. Returns to Human Capital


III.b. Market Power


III.c. Discrimination


***** Presentations *****

IV. Human Capital Quality

IV.a. Educational Production Functions

IV.b. School Choice


IV.c. Teachers


***** Presentations *****