

Preliminary Version: August 28 , 2004

Yale University
Department of Economics

Econ 630a
Labor Economics

Fall 2004
Joseph G. Altonji

M,W. 2:30-3:30, Luce Hall Room 302

Note: To avoid conflicts with seminars we will always meet from 2:30-3:25 on M. and 2:30-3:55 on Wednesday. Occasionally we will go later on Wednesdays when there is no econometrics seminar.

TOPICS:

1. Education, the Family, and Human Capital.
(4 weeks)
2. Labor Supply
(3 weeks)
3. Market Determination of Wages and Compensating Differentials (1 week)
4. Race and Gender Differences in the Labor Market, Discrimination.
(2 weeks, JA)

Fabian Lange will be covering additional topics in the Spring.

The time allocations are my best guesses, which are usually not very accurate for this course.

The reading list is not intended as general guide to the labor literature. The 5 volume Handbook of Labor Economics, with 3 new volumes in 1999, is the best source for that, and I have assigned several chapters from it. Nevertheless, there are more papers than you can read during the quarter. The starred articles are required reading for the course and must be read before the class in which we will discuss them. One of the main goals in the course is to develop your ability to critically read research papers. In a number of cases I have chosen articles with this purpose in mind rather than because of their importance in the literature. I will provide additional guidance to the reading list as the course proceeds. If you have never taken a labor economics course before I strongly recommend that you immediately read through *The Economics of Work and Pay* (Filer, Hamermesh, and Rees) to get the lay of the land.

I will be asking the library to place the entire Handbook series on reserve. Most of the articles are available from JSTOR or through the electronic resources available from the Yale library web page. I will be making copies of hard to get articles, which you can borrow from my assistant, Xin Yu.

There is no way that I can lecture on all of the material listed below. For some of the sections we will rely on your reading the material. For others I plan to devote a lot of time in class and will not expect you to read the articles unless you are interested. Students are required to participate actively in the class,

Course Requirements:

- a. Participation in class discussion, which means that you should be reading at least some of the key articles ahead of time.

b. Prepare written notes or slides and present 2 assigned articles in class. Notes or slides can be handwritten but must be legible, and must be available for distribution in class. This presentation should cover the key elements of the article, along with some critical analysis of the article and its contribution to the literature. Articles will be chosen from the starred articles, but there is some flexibility here. I will make initial assignments on the first day of class.

c. Replicate a published empirical paper. The purpose is to give you some experience in doing empirical research and in closely reading the work of others. In some cases, the exercise will lead to a line of research for your econometrics paper or perhaps a thesis essay.

d. In class final exam. We will arrive at a contract concerning the final exam late in the semester.

Below I list the main topics and readings that I will cover in class or expect you to cover as part of the course.

1. Education and Human Capital

A. Human Capital Models of Earnings

Mincer, J., Education, Experience, and Earnings Chapter 1 and 2

*Willis, Robert J. and Sherwin Rosen (1979), "Education and Self Selection." Journal of Political Economy 87, October, Special Issue.

*Card, David, The causal effect of education on earnings, handbook , Vol 3Achapter 30 (in class packet)

Becker, Gary S. (1975), Human Capital 2d ed. New York: Columbia University Press.

Willis, Robert J., "Wage Determinants: A Survey and Reinterpretation of Human Capital Earnings Functions", in O.Ashenfelter and R. Layard (editors) Handbook of Labor Economics (1987).

Siow, A. "Occupational Choice Under Uncertainty." Econometrica (1984).

Education as a Sequential Choice (Will cover later)

*Altonji, J. G., "The Demand for and Return to Education when Education Outcomes are Uncertain" Journal of Labor Economics, (January 1993)

B. Estimating the Returns to Education

*Willis, Robert J. and Sherwin Rosen (1979), "Education and Self Selection." Journal of Political Economy 87, October, Special Issue.

*Card, David, The causal effect of education on earnings, handbook , Vol 3Achapter 30 (in class packet)

Griliches, Zvi (1979), "Sibling Models and Data in Economics: Beginnings of a Survey." Journal of Political Economy 87, Oct.

Griliches, Z. "Estimating the Returns to Schooling: Some Econometric Problems." *Econometrica*, January 1977, pp. 1-22.

*J. Angrist and A. Krueger, "Does Compulsory Schooling Attendance Affect Schooling and Earnings?", *Quart. Jour. of Econ.* CVI(4) (Nov. 1991):979-1014

*Ashenfelter, Orley and A. Krueger, *AER* December 1994. (Twins paper, JSTOR)

Education as a Sequential Choice

*Altonji, J. G., "The Demand for and Return to Education when Education Outcomes are Uncertain" *Journal of Labor Economics*, (January 1993)

J. Heckman, L. Lochner, and Petra Todd, "Fifty Years of Mincer Earnings Regressions", <http://www.nber.org/papers/w9732>

S. Cameron and James Heckman, *JPE*

Liquidity Constraints

J. Behrman, R. Pollak, and P. Taubman, "Family Resources, Family Size, and Access to Financing for College Education", *JPE* 97 No.2 , (April 1989): 398-419.

Stephen V. Cameron & Christopher Taber, 2004.

"Estimation of Educational Borrowing Constraints Using Returns to Schooling," *Journal of Political Economy*, University of Chicago Press, vol. 112(1), pages 132-182, February.

[Carneiro, Pedro, James J. Heckman, "The Evidence on credit constraints in post-secondary schooling," *Economic Journal*, October 2002, pp 705-734.](#)

[Dynarski, Susan, "Does Aid Matter? Measuring the Effect of Student Aid on College Attendance and Completion," *AER*, 2003](#)

C. Screening/Signalling Models of the Return to Education: Theory and Evidence

Albrecht, J. "A Procedure for Testing the Signalling Hypothesis." *Journal of Public Economics*, 1981, pp. 123-32.

[Weiss, Andrew "Human Capital and Sorting Models" *Journal of Economic Perspectives*, 9\[4\], Autumn 1995, 133-154.](#)

(* [Tyler, John, Richard J. Mumane and John Willett "Estimating the Labor Market Signaling value of the GED" *Quarterly Journal of Economics*, 115\[2\], May 2002, 431-468.](#)

(* [Bedard, Kelly, "Human Capital Versus Sorting Models: University Access and High School Drop-outs," *Journal of Political Economy*, 2001, 190\(4\): 749-775](#)