

Instructor:

Dandan Zhang (Tel: 62759779)

ddzhang@nsd.pku.edu.cn

Labor Economics: Theory and Empirical Analysis

9:00-12:00, Fridays

This is a graduate course in labor economics, which teaches core topics in the field of labor economics as well as empirical methods for applied microeconomic analysis. The purpose of this course is twofold. First, students should obtain a general understanding of the problems, methods and substantive literature in selected topics in labor economics. The course focuses on selected issues currently relevant for Chinese labor market policies. Second, the students should learn how to carry out empirical research in labor and development economics using micro-economic data. The empirical methods are widely applicable to all economic fields.

This course is appropriate for students in economics with preparations of microeconomic theory and econometrics. Students are expected to choose a topic in advance, prepare presentations, and lead or participate in the discussion of the topics. Regardless of topic assignment, each student is expected to read all assigned papers in advance and participate in the discussion of the materials. The main product of the course is a research paper. The research paper should use microeconomic data to address a well-defined and focused issue related to labor market and economic development in China. The length of paper should be between 20 and 30 pages (double spaced) including tables and graphs in English or 15 to 25 pages in Chinese. The term paper is due on 31 Jan. 2017. A brief research proposal for the research paper should be turned in by 11 Nov. 2016. And student presentations will be scheduled twice on 11 Nov. and 30 Dec. for reporting the progress of the research paper.

Grade will be based on three parts: (1) Presentations: 30%. (2) Class participation (attendance and class discussion): 10%. (3) Research paper: 60%.

Course materials: The class is based on papers instead of a textbook. A reading list will be provided. Working labor economists should have easy access to the following resources:

- George J. Borjas (2013): *Labor Economics*, Irvin, McGraw Hill, 6th edition.
- Ashenfelter, Orley and David Card (2010): *Handbook of Labor Economics*, Volumes 4A and 4B.
- Angrist, Joshua and Jorn-Steffen Pischke (2009): *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton University Press

- Ronald G. Ehrenberg and Robert S. Smith (2000): *Modern Labor Economics: Theory and Public Policy*, Addison, Welsley Longman, 7th edition

Reading list: TBA

Course outline:

Week	Date	Topic	Date
1	16 Sep.	Introduction	05 Mar.
2	23 Sep.	Labor supply (Theory)	
3	30 Sep.	Labor supply (Empirical Evidence)	12, 26 Mar.
4	7 Oct.	- National Holiday Break-	
5	14 Oct.		2, 9 Apr.
6	21 Oct.	Labor demand, immigration and minimum wage	
7	28 Oct.	Human capital, education and peer effect	16, 23 Apr.
8	4 Nov.		
9	11 Nov.	*Student presentation*	30 Apr.
10	18 Nov.	Immigration	7, 14 May
11	25 Nov.		
12	2 Dec.	Labor market discrimination, inequality	21, 28 May
13	9 Dec.		
14	16 Dec.	Other related issues: program evaluation, unemployment, etc...	4, 11 Jun.
15	23 Dec.		
16	30 Dec.	*Student presentation*	18 Jun.

Topic 1: Labor Supply

*Heckman, James (1974): "Shadow Prices, Market Wages, and Labor Supply", *Econometrica*, 42: 679-694.

*Heckman, James (1979): "Sample Selection Bias as A Specification Error", *Econometrica*, 47(1): 153-161.

*Ashenfelter, Orley (1983): "Determining Participation in Income-Tested Social Programs", *Journal of the American Statistical Association*, 78, 517-525.

*Imbens, Guido, Donald Rubin, and Bruce Sacerdote (2001): "Estimating the Effect of Unearned Income on Labor Supply: Evidence from a Survey of Lottery Players." *American Economic Review*, 91(4), 778-794.

*Ashenfelter, Orley., Kirk Doran, and B. Schaller (2010): "A Shred of Credible Evidence on the Long Run Elasticity of Labor Supply." NBER Working Paper 15746.

Chinese issues:

Meng, Xin (2015): "Harnessing China's Untapped Labor Supply", Paulson Policy Memorandum

Hongbin Li, Lei Li, Binzhen Wu, and Yanyan Xiong (2012): "The End of Cheap Chinese Labor", *Journal of Economic Perspectives*, 26(4):57-74

Wei Chi, Richard B. Freeman, Hongbin Li (2012): "Adjusting To Really Big Changes: The Labor Market In China, 1989-2009", NBER Working Paper 17721. <http://www.nber.org/papers/w17721>

Inequality and the Wage Structure

Card, David, John E. Dinardo (2002): "Skill-Biased Technological Change and Rising Wage Inequality: Some Problems and Puzzles", *Journal of Labor Economics*, 20(4):733-783.

DiNardo, John, Nicole M. Fortin, Thomas Lemieux (1996): "Labor Market Institutions and the Distribution of Wages, 1973-1992: A Semiparametric Approach", *Econometrica*, 64(5):1001-1044.

Juhn, Chinhui, Kevin M. Murphy, Brooks Pierce (1993), "Wage Inequality and the Rise in Returns to Skill", *The Journal of Political Economy*, 101(3), 410-442.

Lemieux, Thomas, (2006): "Increasing Residual Wage Inequality: Composition Effects,

Noisy Data, or Rising Demand for Skill?” *The American Economic Review*, 96(3):461-498.

Meng, Xin, Kailing Shen, Sen Xue (2012): “Economic reform, education expansion, and earnings inequality for urban males in China, 1988-2009”, *Journal of Comparative Economics*

Discrimination

Marianne Bertrand and Esther Duflo (2016 NBER Working Paper), “Field Experiments on Discrimination”

Audit studies: auditors-testers Ayres and Siegelman (1995)

Correspondence studies

Theory-“taste-based discrimination” “statistical discrimination”

Human Capital

- Human capital investment: theory and basic facts
- Estimating the rate of return to schooling on earnings and other outcomes
- Signaling, screening, and learning models of education and earnings

Handbook of Labor Economics

Immigration

* The Roy model, self-selection, and immigration: Theory and Evidence