Oxford University, Hilary term 2021, Syllabus for: Labor economics, part I

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email	teachingmaxkasy@gmail.com
class time	Wednesday, 9-11am
webpage	https://maxkasy.github.io/home/Labor_Oxford_2021/
location	Online

Zoom room:
https://zoom.us/j/99178199330?pwd=RVNUaE1VU3JhYlJJV2ZxNy8yMWx3Zz09

Online whiteboard:
https://jamboard.google.com/d/1UMb6F496MdUjFVtvh7Mq7PsId11ijdLVCNaLEBdZHzo/edit?usp=

Overview and Objectives

Fields of research can define themselves by their questions, theories, or methods. All three matter for labor economics. Modern labor economics has considerably expanded the set of questions it considers, while settling on a core of commonly accepted methods, focused on causal identification using observational data.

Correspondingly, we will begin this class by a quick survey of the standard approaches to causal identification, including randomized experiments, instrumental variables, matching on observables, difference in differences, and regression discontinuity. For each of these we will discuss recent empirical applications which use these methods, covering a wide range of questions.

We will then zoom in on one of the core questions of labor economics, economic inequality and the determination of earnings. We will discuss estimation of top income shares, as well as distributional decompositions, which allow us to get a sense of the changing landscape of economic inequality.

We will next consider the competitive model of labor demand, which assumes that wages equal marginal productivity. This model has been used to study topics such as the effects of technical change, or of immigration, on wage inequality.

An alternative to the competitive model are models where employers have some market power, that is models of labor market monopsony. Employers have market power whenever their elasticity of labor supply is less than infinite. Such models imply that wages are below marginal productivity, and they can explain the empirical finding that minimum wages often don't decrease employment.

My lectures will focus on the econometric methods used in modern labor economics. You should read the empirical papers assigned each week in order to learn how these methods are applied in practice.

Online lectures Classes will take place online, via Zoom. The link to the Zoom room can be found at the beginning of this syllabus. Classes are live and attendance is required, but recordings of classes will be available at a later point. You are asked to turn your webcams on throughout, but keep your microphone muted unless you have a question. Classes take place during the regular class time.

The teaching format will deviate minimally from standard lectures. I will lecture using the slides posted on my webpage. I will also use an online whiteboard; see link at the beginning of this syllabus. I will screen-share this whiteboard during lectures, and you can also return to it later.

You should feel free to ask questions at any point during lectures, by just unmuting yourself. I will also take regular breaks to see if there are any questions. I will not monitor questions in the chat while teaching.

Outline of the course

Week 1: Causal inference

- Causality and potential outcomes.
- Randomized experiments.
- Instrumental variables.

Week 2: Causal inference, continued

- Conditional independence, reweighting and regression with controls.
- Difference in differences.
- Regression discontinuity.

Week 3: Income inequality

- Top income shares, and their evolution over time.
- Distributional decompositions.

Week 4: Labor demand and wage determination

- Labor demand in the competitive model.
- Constant elasticity of substitution production functions.
- Market power and wage setting.
- Minimum wages.

Readings

- Online textbook on **Empirical research on economic inequality**: http://inequalityresearch.net/

Week 1: Causal inference

- Textbook:

  Angrist, J. D. and Pischke, J.-S. (2014). *Mastering'metrics: The path from cause to effect*. Princeton University Press, chapters 1 and 3.

- Randomized experiments:

  Finkelstein, A., Taubman, S., Wright, B., Bernstein, M., Gruber, J., Newhouse, J. P., Allen, H., Baicker, K., and Group, O. H. S. (2012). The Oregon health insurance experiment: Evidence from the first year. *The Quarterly Journal of Economics*, 127(3):1057–1106

  Crépon, B., Duflo, E., Gurgand, M., Rathelot, R., and Zamora, P. (2013). Do labor market policies have displacement effects? Evidence from a clustered randomized experiment. *The Quarterly Journal of Economics*, 128(2):531–580

- Instrumental variables:

  Aizer, A. and Doyle, J. J. (2015). Juvenile incarceration, human capital, and future crime: Evidence from randomly assigned judges. *The Quarterly Journal of Economics*, 130(2):759–803

  Jackson, C. K., Johnson, R. C., and Persico, C. (2016). The effects of school spending on educational and economic outcomes: Evidence from school finance reforms. *The Quarterly Journal of Economics*, 131(1):157–218

Week 2: Causal inference, continued

- Textbook:

  Angrist, J. D. and Pischke, J.-S. (2014). *Mastering'metrics: The path from cause to effect*. Princeton University Press, chapters 2, 5, and 4.

- Difference in differences:

  Qian, N. (2008). Missing women and the price of tea in China: The effect of sex-specific earnings on sex imbalance. *The Quarterly Journal of Economics*, 123(3):1251–1285

  Cascio, E. U. and Washington, E. (2014). Valuing the vote: The redistribution of voting rights and state funds following the voting rights act of 1965. *The Quarterly Journal of Economics*, 129(1):379–433

- Regression discontinuity.

  Saez, E., Matsaganis, M., and Tsakloglou, P. (2012). Earnings determination and taxes: Evidence from a cohort-based payroll tax reform in Greece. *The Quarterly Journal of Economics*, 127(1):493–533

  Card, D., Dobkin, C., and Maestas, N. (2009). Does medicare save lives? *The Quarterly Journal of Economics*, 124(2):597–636

Week 3: Income inequality

- Textbook:

  The CORE team (2017). *The Economy*. Oxford University Press, chapter 19.
  `http://www.core-econ.org/the-economy/book/text/19.html`

- Top income shares, and their evolution over time.

Atkinson, A. B., Piketty, T., and Saez, E. (2011). Top incomes in the long run of history. *Journal of Economic Literature*, 49(1):3–71

- Distributional decompositions.

  Fortin, N. M. and Lemieux, T. (1997). Institutional changes and rising wage inequality: Is there a linkage? *The Journal of Economic Perspectives*, 11(2):pp. 75–96

  Firpo, S., Fortin, N., and Lemieux, T. (2011). Decomposition methods in economics. *Handbook of Labor Economics*, 4:1–102

Week 4: Labor demand and wage determination

- Labor demand in the competitive model.

  Card, D. (2009). Immigration and inequality. *The American Economic Review*, 99(2):1–21

  Boustan, L. P. (2009). Competition in the promised land: Black migration and racial wage convergence in the north, 1940–1970. *The Journal of Economic History*, 69(03):755–782

  Autor, D. H., Katz, L. F., and Kearney, M. S. (2008). Trends in US wage inequality: Revising the revisionists. *The Review of Economics and Statistics*, 90(2):300–323

- Minimum wages.

  Cengiz, D., Dube, A., Lindner, A., and Zipperer, B. (2019). The Effect of Minimum Wages on Low-Wage Jobs. *The Quarterly Journal of Economics*, 134(3):1405–1454

- Monopsony.

  Council of Economic Advisers (2016). Labor market monopsony: Trends, consequences, and policy responses. *Council of Economic Advisers Issue Brief*, October 2016

Boal, W. M., Ransom, M. R., et al. (1997). Monopsony in the labor market. *Journal of Economic Literature*, 35(1):86–112