Course Objectives

This course is the first of a two-term sequence on labor economics. The emphasis in this term is on the supply of labor and on the quality of labor. In the theory of labor supply emphasis will be placed on deriving structural utility parameters that are useful in labor-market policies toward taxes and social policy. For the quality of labor a model of human capital will be derived, which will then be linked into issues surrounding the distribution of earnings including the returns to schooling and experience, poverty, and income inequality and volatility. Throughout the course we will discuss in detail recent methods in the econometric evaluation of programs. The modeling techniques acquired in this course should prepare the student to pursue advanced research in empirical economics.

Course Requirements

There will be empirical homework projects (30%), typed outlines of required readings (20%), a referee report (20%), and a final exam (30%).

The outlines, with the designated readings identified with a “@” below and due dates in bold, are to be typed, single-spaced, 12 pt font, 1” margins, and no more than two pages in length. A paragraph or two should be written on each of the following areas (use this format in your outline):

I. Author’s Purpose
II. Theoretical Model (include behavioral and policy implications)
III. Empirical Model (include econometric model and data)
IV. Future Research Possibilities

Reading Requirements

The key required readings for the course are listed below. Within each subsection I highlight important readings that lectures will also draw from. Moreover, an attached appendix provides a more extensive reading list. For those with no previous course in labor economics I also recommend that you pick up an undergraduate labor text by Borjas, or Ehrenberg and Smith.

Labor Supply:


Program Evaluation and Labor Econometrics:


Human Capital:


**Course Outline**

1. **Background: History, Concepts, Trends, and Measurement in Labor Economics**


I. **The Supply of Labor**

A. **Static Labor Supply**


B. **Life-Cycle Labor Supply**
II. Econometrics of Program Evaluation


III. Human Capital


IV. Poverty, Inequality, Mobility, and Social Policy


Appendix: Selected Additional Readings

A. Static Model of Labor Supply


B. Program Evaluation and Incentive Effects of Income Taxes and Income Transfers


C. Life-Cycle Labor Supply


D. Human Capital and the Structure of Wages


Juhn, Chinhui, Kevin M. Murphy, and Brooks Pierce. 1993. "Wage Inequality and the Rise in the Returns
to Skill,” *JPE* 101: 410-442.


### E. Life-Cycle Consumption


Attanasio, Orazio, and Guglielmo Weber (Forthcoming). “Consumption and Saving: Models of Intertemporal Allocation and their Implications for Public Policy.” *Journal of Economic Literature*


