LABOR ECONOMICS I

Spring 2003
ECON 670 (001)
MW 1:30 -2:45
Post, Room 126
Professor SH Lee

Course Outline

The goal of the course is twofold: to survey existing research on a number of topics of current interest in labor economics, and to develop students' abilities to engage in original research at the doctoral level. To help achieve the latter goal, there is a fairly heavy emphasis on the modeling approaches and empirical analysis that are associated with each of the areas. The topics covered include labor supply and demand, the human capital model, change in wage structure, earnings inequality, mobility and migration, and gender and discrimination in labor markets.

Because of the empirical bend of this course and of labor economics in general, it is essential that you have an understanding of modern empirical methods in economics. At the end of the course, you are expected to understand how problems such as simultaneity, omitted variables, and measurement error affect ordinary least squares estimates. You will also learn what panel data estimation techniques, and techniques employed in estimating simultaneous relationships and in the presence of limited dependent variables.

Course Requirements

There are four requirements. First, students must complete one empirical exercise (30%). Second, students must submit a short paper reviewing one of a selected number of papers on the reading list, and present their review to the class (10%). Three, students must submit a research paper (30%). Four, students must take the final exam (30%). Late work is not accepted in this course.

Empirical Exercise

There will be one exercise in which students are given access to a standard data set, and asked to assemble evidence on a topic covered in a set of papers that we are discussing in class. I will announce the due date later in class. This project will undoubtedly entail major time commitments, even for those students who have developed computer skills. Students are also strongly encouraged to help each other out in learning how to use the computers and appropriate software. In order to enhance learning from one another, students are allowed to pair off with another student in both doing the work and writing it up in a similar format to that of a research paper. On the day the projects are due, each student or group of students will make a brief presentation. Students should start on these early in the semester, and work on them throughout the semester. The quality of writing and presentation will be an important determinant of the grade on the exercise.
Review

During the semester, students must write a brief (about 3-5 pages) review of one of the articles on the reading list. I will ask students to commit to a particular paper a week or so into the semester. The review should provide a very succinct summary of the contribution of the paper, and then a critical analysis of the research. This project is similar to writing a referee report. Since you will be both writing and receiving such reports in the future, the ability to critically analyze research (your own included) is very important. When the reviews are due (roughly on the day we get to the paper on the reading list), the student who has reviewed a particular paper will summarize his or her view of the paper. The discussions will have a question and answer format, with me and other students asking questions. Students will be graded on the review they submit, and on their participation.

Project/paper

Students should submit a term paper. This is envisioned as the nucleus of a final paper, with only the actual empirical work or fully-developed theoretical model missing. It should have many components of a final paper, including introduction, and literature review. If it is to be a theoretical paper, it should include a discussion of data and econometric strategy, including anticipated problems and proposed solutions. If it is to be an empirical paper, it should include preliminary results and proposed extensions. This proposal might serve as a basis for paper you will write while in graduate school. Students should feel free to consult with other professors. These papers will be due May 10. Students should start on these early in the semester, and work on them throughout the semester.

Final Exam
Students should take the final exam. Final exam is scheduled at 2:15 - 4:15, May 16 (F).

Help:  Office Hours: MW 9:00-10:30
       Office: Saunders 512
       Phone: 956-8590
       E-mail: leesang@hawaii.edu
       Web: www2.hawaii.edu/~leesang/

Computer Lab: PC Lab, 635, M 3:30-4:30, W 2:30-4:00 PM
Reading List

There are no required texts. However, students may find it helpful to have access to a number of good econometrics texts and monographs which cover OLS, instrumental variables, panel data, and models with qualitative and limited dependent variables. The reading list is limited to the required readings for the course. Some of our readings come from Ashenfelter, Orley C. and David Card ed. 1999. Handbook of Labor Economics Volume 3A, 3B and 3C, North-Holland (Handbook 3A/3B/3C). Because students may not want copies of every paper, I have not made a course pack. However, I assigned it at the Sinclair library for students to borrow. I also made it possible for students to borrow copies of all of the readings during course.


I. Empirical Strategies


II. Labor Supply and Retirement


III. Labor Demand and Minimum Wage


IV. Wage Determination-The Human Capital Model

General Theory


Evidence on Returns to Schooling


Evidence on Returns to Experience and Tenure


Evidence on Returns to Marriage


Evidence on Age-Earnings Profile


V. Changes in Wage Structure and Earnings Inequality


VI. Mobility and Migration


**Immigration**


**VII. Gender and Discrimination in Labor Markets**

*Theory*


*Evidence*


