

Advanced Topics in Labor Economics

MIT 14.663
Spring 2009

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MIT E51-151

Lectures: Monday & Wednesday, 10:30am – noon

- No lecture on 4/20 (due to institute holiday) and 4/22 due to instructor's external commitments.
- Papers marked with * are likely to be considered in class. All listed papers are relevant.

1. Topic 1: Self-selection and the Labor Market, with Applications to Immigration, the Gender Gap, Medical Treatment, and Sexual Harassment

* Basu, Kaushik. "Sexual Harassment in the Workplace: An Economic Analysis with Implications for Worker Rights and Labor Standards Policy." MIT Department of Economics Working Paper 02-11, February 2002. (available via SSRN).

Blau, Francine and Lawrence Kahn (1997), "Swimming Upstream: Trends in the Gender Wage Differential in the 1980s," *Journal of Labor Economics* 15 (January, Part 1), 1-42.

Borjas, George. 1987. "Self-Selection and the Earnings of Immigrants," *American Economic Review*, 77(4), 531-553.

Borjas, George. 2002. "The Wage Structure and the Sorting of Workers into the Public Sector." NBER Working Paper No. 9313, November.

* Chandra, Amitabh and Douglas Staiger. 2007. "Productivity Spillovers in Health Care: Evidence from the Treatment of Heart Attacks." *Journal of Political Economy*, 115(1), February, 103-?

* Chiquiar, Daniel and Gordon Hanson. 2005. "International Migration, Self-Selection and the Distribution of Wages," *Journal of Political Economy* 113 (April), 239-81.

C. Goldin. 2006. "The Quiet Revolution that Transformed Women's Employment, Education and Family," *American Economic Review* (May).

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

Heckman, James J. and Bo E. Honore. 1990. "The Empirical Content of the Roy Model." *Econometrica*. 58(5), September, 1121-1149.

Lubotsky, Darren. 2007. "Chutes and Ladders? A Longitudinal Analysis of Immigrant Earnings." *Journal of Political Economy*, 115(4), October, 820-867.

* Mulligan, Casey and Yona Rubinstein. 2008. "Selection, Investment, and Women's Relative Wages over Time" *Quarterly Journal of Economics*, 123(3), 1061-1110.

Neal, Derek (2004), "The Measured Black-White Wage Gap among Women Is Too Small," *Journal of Political Economy*, 112 (February, Part 2), S1-S28.

Olivetti, Claudio and Barbara Petrongolo. 2008. "Unequal Pay or Unequal Employment? A Cross-Country Analysis of Gender Gaps." *Journal of Labor Economics*, 26(4), 621-654.

* Roy, D. A. 1951. "Some Thoughts on the Distribution of Earnings," *Oxford Economic Papers*, 3(2), 235-46.

2. Topic 2: Group differences in the Labor Market

2.1. Taste-based discrimination

Altonji, Joseph and Rebecca Blank, "Race and Gender in the Labor Market," in Ashenfelter, O. and D. Card, eds., Handbook of Labor Economics, Vol. 3C. Amsterdam: Elsevier, 1999. (on reserve)

Arrow, Kenneth, "The Theory of Discrimination," in Ashenfelter and Rees, eds., Discrimination in Labor Markets. Princeton: Princeton University Press, 1973.

Becker, Gary, The Economics of Discrimination 2nd ed.. Chicago: University of Chicago Press, 1971.

* Bertrand, Marianne and Sendhil Mullainathan. 2004. "Are Emily and Greg More Employable than Latisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review* 94, (4), September, 991-1013.

Black, Dan A. 1995. "Discrimination in an Equilibrium Search Model." *Journal of Labor Economics*, 13(2), 309-324.

* Charles, Kerwin K. and Jonathan Guryan. 2008. "Prejudice and Wages: An Empirical Assessment of Becker's *The Economics of Discrimination*." *Journal of Political Economy*, 116(5), , December, 773-809.

* Goldberg, Matthew S. 1982. "Discrimination, Nepotism, and Long-Run Wage Differentials" *Quarterly Journal of Economics*, 97(2), May, 307-319.

Holzer, Harry and Keith R. Ihlanfeldt. 1998. "Customer Discrimination and Employment Outcomes for Minority Workers." *Quarterly Journal of Economics*, 113(3), 835-867.

Lang, Kevin and M. Manove and W. Dickens. 2005. "Racial Discrimination in Labor Markets with Announced Wages," *American Economic Review* 95(4), (September), 1327-40.

Pager, Devah (2007) "The Use of Field Experiments for Studies of Employment Discrimination: Contributions, Critiques, and Directions for the Future," *Annals of the American Academy of Political and Social Science* 609: 104-133.

Pager, Devah, Bruce Western, and Bart Bonikowski. 2006. "Discrimination in Low-Wage Labor Markets." (on web)

P.A. Riach and J. Rich .2002. "Field Experiments of Discrimination in the Market Place," *Economic Journal*, 112 (November), F480-F518.

2.2. Statistical discrimination

* Aigner and Cain, "Statistical Theories of Discrimination in Labor Markets," *Industrial and Labor Relations Review*, 30(2), 1977, 175 – 187.

* Autor, David and David Scarborough. 2008. "Does Job Testing Harm Minority Workers? Evidence from Retail Establishments." *Quarterly Journal of Economics*, 123 (February).

* Coate, Stephen and Glenn Loury (1993), "Will Affirmative Action Eliminate Negative Stereotypes?" *American Economic Review*, 83 (5), 1220-1240.

Fershtman, Chaim and Uri Gneezy, "Discrimination in a Segmented Society." *Quarterly Journal of Economics*, 116(1), 2001, 351-377.

List, John (2004), "The Nature and Extent of Discrimination in the Marketplace: Evidence from the Field," *Quarterly Journal of Economics*, 119 (February), 49-89.

Lundberg, Shelly J. and Richard Startz. 1983. "Private Discrimination and Social Intervention in Competitive Labor Markets." *American Economic Review*, 73(3), June, 340-347.

* Mobius, Markus and Tanya Rosenblatt. 2006. "Why Beauty Matters." *American Economic Review*, 96(1), March, 222-235.

Phelps, Edmund, "The Statistical Theory of Racism and Sexism," *American Economic Review*, 62(4), 1972, 533-539.

Various Authors, "Symposium: Discrimination in Product, Credit and Labor Markets," *Journal of Economic Perspectives*, 12(2), Spring 1998, 23 – 126. See especially articles by Yinger, Darity and Mason, Arrow, Heckman, and Loury.

2.3. Discrimination and learning

* Altonji, Joseph and Charles Pierret, "Employer Learning and Statistical Discrimination," *Quarterly Journal of Economics*, 116(1), 2001, 313-350.

* Farber, Henry and Robert Gibbons, "Learning and Wage Dynamics," *Quarterly Journal of Economics*, 111(4), 1996, 1007 – 1047.

3. Topic 3: Differences in economic and family environments and economic outcomes

* Anderson, Michael. 2008. "Multiple Inference and Gender Differences in the Effects of Early Intervention: A Reevaluation of the Abecedarian, Perry Preschool, and Early Training Projects." *Journal of the American Statistical Association*, 103(484), 1481-1495.

Austen-Smith, David and Roland Fryer. 2005, "An Economic Analysis of 'Acting White'," *Quarterly Journal of Economics* 120 (May), 551-583.

* Björkland, Anders, Mikael Lindahl and Erik Plug. 2006. "The Origins of Intergenerational Associations: Lessons from Swedish Adoption Data." *Quarterly Journal of Economics*, 121:3 (2006), 999-1028.

* Cesarini, David, Christopher T. Dawes, Magnus Johannesson, Paul Lichtenstein and Bjorn Wallace. Forthcoming. "Genetic Variation in Preferences for Giving and Risk-Taking" *Quarterly Journal of Economics*.

* Dickens, William and James Flynn (2001), "Heritability Estimates versus Large Environmental Gains: The IQ Paradox Resolved," *Psychological Review*, 108 (2), 346-369.

Fryer, Roland and Steven D. Levitt (2007), "Testing for Racial Differences in the Mental Ability of Young Children." Available at: <http://www.economics.harvard.edu/faculty/fryer/papers.html>

* Heckman, James J. 1995. "Lessons from the Bell Curve." *Journal of Political Economy*, 103(5), 1091-1120.

Jencks, Christopher and Meredith Phillips (eds). 1998. *The Black-White Test Score Gap*, Washington, DC: Brookings Institution Press.

* Jencks, Christopher and Meredith Phillips. "The Black-White Test Score Gap: An Introduction" in Christopher Jencks and Meredith Phillips (eds.) *The Black-White Test Score Gap*. Washington, DC: The Brookings Institution, 1998.

Herrnstein, Richard J. and Charles Murray. 1994. *The Bell Curve*. New York: Free Press.

Knudsen, Eric I., James J. Heckman, Judy L. Cameron, and Jack P. Shonkoff. "Economic, Neurobiological and Behavioral Perspectives on Building America's Future Workforce." NBER Working Paper No. 12298, June 2006.

Ludvig, Jens and Douglas L. Miller. "Does Head Start Improve Children's Life Chances? Evidence from a Regression Discontinuity Design." *Quarterly Journal of Economics*, 122:1 (2007).

* Neal, Derek. 2006. "Why has Black-White Skill Convergence Stopped?" in E. Hanushek and F. Welch (eds.) *Handbook of the Economics of Education*, Vol 1., Netherlands: Elsevier.

* Neal, Derek and W. Johnson (1996), "The Role of Pre-market Factors in Black-White Wage Differences," *Journal of Political Economy* 104 (October), 869-95.

* Pettit, Becky and Bruce Western. 2004. "Mass Imprisonment and the Life Course: Race and Class Inequality in U.S. Incarceration." *American Sociological Review* 59:151-169.

* Sacerdote, Bruce. 2007. "How Large are the Effects from Changes in Family Environment? A Study of Korean American Adoptees." *Quarterly Journal of Economics*, 122(1), February, 119-157.

4. Topic 4: Segregation and Economic Outcomes

Ananat, Elizabeth O. 2007. "The Wrong Side(s) of the Tracks: The Effect of Racial Segregation on City Outcomes." NBER Working Paper No. 13343. August.

Ananat, Elizabeth O and Ebonya Washington. 2007. "Segregation and Black Political Efficacy." NBER Working Paper No. 13606, November.

* Baum-Snow, Nathaniel. 2007. "Did Highways Cause Suburbanization?" *Quarterly of Economics*, 122(2), 775-805.

* Card, David, Alexandre Mas and Jesse Rothstein. 2008. "Tipping and the Dynamics of Racial Segregation." *Quarterly Journal of Economics*, 123 (February).

Card, David and Jesse Rothstein. 2006. "Racial Segregation and the Black-White Test Score Gap." NBER Working Paper No. 12078.

* Cutler, David and Edward Glaeser. 1997. "Are Ghettos Good or Bad?" *QJE* 112 (August), 827-872.

* Cutler, David, Edward Glaeser, and Jacob Vigdor. 1999. "The Rise and Decline of the American Ghetto," *Journal of Political Economy*, 107 (3), 455-506.

* Dorn, David. 2009. "Price and Prejudice: The Interaction between Preferences and Incentives in the Dynamics of Racial Segregation." Boston University Working Paper, January. (Available at <http://people.bu.edu/ddorn/Dorn-PriceAndPrejudice-JobMarketPaper.pdf>)

Echenique, Federico and Fryer, Roland. 2007. "A Measure of Segregation Based on Social Interactions," *Quarterly Journal of Economics* 122 (May)

* Jacob, Brian. 2004. "Public Housing, Housing Vouchers, and Student Achievement: Evidence from Public Housing Demolitions." *American Economic Review*, 94(1), 233-258.

Kain, J. 1968. "Housing Segregation, Negro Employment, and Metropolitan Decentralization," *Quarterly Journal of Economics*, LXXXII, 175-197.

* Kling, Jeffrey R., Jeffrey B. Liebman and Lawrence F. Katz. 2007. "Experimental Analysis of Neighborhood Effects." *Econometrica*, 75(1), January, 83-119.

Massey, Douglass and Nancy Denton. 1988. "The Dimensions of Residential Segregation," *Social Forces* 67,281-315.

Massey, Douglass and Nancy Denton. 1993. *American Apartheid: Segregation and the Making of the Underclass*, Cambridge, MA: Harvard University Press.

* Oreopoulos, Philip. 2003. "The Long-Run Consequences of Living in a Poor Neighborhood" *Quarterly Journal of Economics*, 118(4), 1533-1575.

* Schelling, Thomas C. 1971. "Dynamic Models of Segregation." *Journal of Mathematical Sociology* 1:143-186.

Schelling, Thomas C. 1978. *Micromotives and Macrobehavior*. New York: WW Norton.

5. Topic 5: Social (Non-Market) Interactions

* Angelucci, Manuela and Giacomo de Giorgia. 2009. "Indirect Effects of an Aid Program: How do Cash Transfers Affect Ineligibles' Consumption?" *American Economic Review*, 99(1), 486-508.

V. Bala, and S. Goyal. 1998. "Learning from Neighbours," *Review of Economic Studies* 65, pp. 595-621.

* Bayer, Patrick, Stephen L. Ross and Giorgio Topa. 2008. "Place of Work and Place of Residence: Informal Hiring Networks and Labor Market Outcomes." *Journal of Political Economy*, 116(6), 1150-1196.

Becker, Gary S. 1991. "A Note on Restaurant Pricing and Other Examples of Social Influences on Price." *Journal of Political Economy*. 99(5), 1109-1116.

Becker, Gary S. 1992. "Nobel Lecture: The Economics Way of Looking at Behavior." *Journal of Political Economy*. 101(3), 385-409.

* Becker, Gary S and Kevin M. Murphy (2000), *Social Economics*, Belknap/Harvard University Press.

* Duflo, Esther and Emmanuel Saez. 2003. "The Role of Information and Social Interactions in Retirement Plan Decisions: Evidence from a Randomized Experiment." *Quarterly Journal of Economics*, 118(3), 815-842.

* T. Calvo-Armengol and M. Jackson (2004), "The Effects of Social Networks on Employment and Inequality," *American Economic Review* 94(3), 426-454.

* Conley, Timothy G. and Christopher R. Udry. Forthcoming. "Learning About a New Technology: Pineapple in Ghana." *American Economic Review*.

R. Fernandez and R. Rogerson, "Income Distribution, Communities and the Quality of Public Education," *Quarterly Journal of Economics* 111:135-64.

E. Glaeser and J. Scheinkman (2000), "Non-Market Interactions," NBER WP No. 8053.

* Charles, Kerwin Kofi, Erik Hurst and Nikolai Rossanov. Forthcoming. "Conspicuous Consumption and Race." *Quarterly Journal of Economics* (available at: http://faculty.chicagobooth.edu/erik.hurst/research/qje_published_version_final.pdf)

Luttmer, Erzo F.P. "Neighbors as Negatives: Relative Earnings and Well-Being." *Quarterly Journal of Economics*, 120:3 (2005), 963-1002.

R. Mc Adams (1995), "Cooperation and Conflict: The Economics of Group Status Production and Race Discrimination," *Harvard Law Review*, 108:1005-1084.

* J. Montgomery (1991), "Social Networks and Labor Market Outcomes: Toward an Economic Analysis," *American Economic Review* 81(5):1408-18.

6. Topic 6: Fairness and norms

* Akerlof, George A. "Labor Contracts as Partial Gift Exchange." *Quarterly Journal of Economics*, 97(4), 1982, 543 – 569.

G. Akerlof and R. Kranton (2000), "Economics and Identity," *QJE* 115(August), 715-53

O. Bandiera, I. Barankay and I. Rasul. 2005. "Social Preferences and the Response to Incentives: Evidence from Personnel Data." *Quarterly Journal of Economics*, 120(3), 917-962.

Bewley, Truman, Why Wages Don't Fall During a Recession. Cambridge: Harvard University Press, 2000.

* Di Tella, Rafael, Sebastian Galliani, and Ernesto Schargrdodsy. 2007. "The Formation of Beliefs: Evidence from the Allocation of Land Titles to Settlers." *Quarterly Journal of Economics*, 122(1), 209-241.

Fehr, Ernst and Simon Gächter, "Do Incentive Contracts Crowd Out Voluntary Cooperation?" University of Zurich mimeo, April 2002. (Available for download at: <http://www.iew.unizh.ch/wp/iewwp034.pdf>)

Fehr, Ernst and Simon Gächter, "Fairness and Retaliation: The Economics of Reciprocity" *Journal of Economic Perspectives*, 14(3), 2000, 159 – 81.

Fehr, Ernst and Simon Gächter (2000): "Cooperation and Punishment in Public Goods Experiments," *American Economic Review*, 90(4), September 980-994.

* Fehr, Ernst and Bettina Rockenbach (2003): "Detrimental Effects of Sanctions on Human Altruism," *Nature*, 422, March 13, 137-140.

* Kahneman, Daniel, Jack L. Knetsch and Richard Thaler, "Fairness as a Constraint on Profit-Seeking: Entitlements in the Market." *American Economic Review*, 76(4), 1986, 728 – 41.

* Gneezy, Uri (2005): "Deception: The Role of Consequences," *American Economic Review*, 95(1), 385-394.

Gneezy, Uri and Aldo Rustichini (2000): "A Fine is a Price," *Journal of Legal Studies*, 29(1), 1-17.

MacLeod, W. Bentley and James Malcolmson, "Motivation and Markets." *American Economic Review*, 88(3), 1998, 388-411.

* Mas, Alexandre. 2006. "Pay, Reference Points, and Police Performance." *Quarterly Journal of Economics*, 121(3), August, 783 – 821.

Lazear, Edward P., Ulrike Malmendier and Roberto A. Weber. (2006): "Sorting in Experiments with Application to Social Preferences." Stanford University Mimeo, January.

List, John A. 2006. "The Behavioralist Meets the Market: Measuring Social Preferences and Reputation Effects in Actual Transactions." *Journal of Political Economy*, 114(1), February, 1-37.

* List, John A. 2007. "On the Interpretation of Giving in Dictator Games." *Journal of Political Economy*, 115(3), 482-493.

List, John A. and Uri Gneezy. 2006. "Putting Behavioral Economics to Work: Testing for Gift Exchange in Labor Markets Using Field Experiments." *Econometrica*, 74(5), September, 1365-1384.

Rabin, Matthew. "Incorporating Fairness into Game Theory and Economics." *American Economic Review*, 83(5), December 1993, 1281–1302.

* Washington, Ebonya. 2008. "Female Socialization: How Daughters Affect Their Legislator Fathers' Voting on Women's Issues." *American Economic Review*. 98(1), 311-332.

7. Topic 7: Labor Unions, Wages and Employment

* Card, David, "Strikes and Wages: A Test of an Asymmetric Information Model," QJE 105 (1990), 625-659.

* Card, David, "Unexpected Inflation, Real Wages, and Employment Determination in Union Contracts," AER 80 (1990), 669-688.

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

* DiNardo, John and David S. Lee, "Economic Impacts of New Unionization on US Private Sector Employers: 1984-2001," QJE 119 (2004), 1383-1442.

Freeman, Richard and James Medoff, *What Do Unions Do?* Basic Books, 1985

Farber, Henry. "The Analysis of Union Behavior," in Orley Ashenfelter and Richard Layard (eds), The Handbook of Labor Economics, Volume II, 1986.

* Lee, David S. and Alexandre Mas. 2009. "Long-Run Impacts of Unions on Firms: New Evidence from Financial Markets, 1961-1999," NBER Working Paper No. 14709, February

Jakubson, G. "Estimation and Testing of the Union Wage Effect," *Review of Economic Studies* 1991, 971-991.