

## **AEA Continuing Education 2021: Labor Economics and Applied Econometrics**

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This course covers recent developments in empirical labor economics along with econometric methods commonly used in contemporary research on labor markets.

### **Course Outline**

#### **Part I: Education and Human Capital**

##### *Returns to schooling*

Card, D. (1999). "The causal effect of education on earnings." Handbook of Labor Economics, Volume 3A.

Angrist, J., and Krueger, A. (1991). "Does compulsory schooling attendance affect schooling and earnings?" *Quarterly Journal of Economics* 106 (4).

Zimmerman, S. (2014). "The returns to college admission for academically marginal students." *Journal of Labor Economics* 32 (4).

Clark, D., and P. Martorell (2014). "The signaling value of a high school diploma." *Journal of Political Economy* 122 (2).

Methods: Potential outcomes, instrumental variables (IV), regression discontinuity (RD)

##### *College quality*

Dale, S., and A. Krueger (2002). "Estimating the payoff to attending a more selective college: An application of selection on observables and unobservables." *Quarterly Journal of Economics* 117 (4).

Mountjoy, J., and B. Hickman (2020). "The returns to college(s): estimating value-added and match effects in higher education." Working paper.

Methods: Matching/selection on observables

#### **Part II: Self-selection**

##### *Roy and generalized Roy models*

Roy, A. (1951). "Some thoughts on the distribution of earnings." *Oxford Economic Papers New Series* 3.

Eisenhauer, P., James Heckman, J., and Vytlacil, E. (2015). “The generalized Roy model and the cost-benefit analysis of social programs.” *Journal of Political Economy* 123 (2).

Kline, P., and Walters, C. (2019). “On Heckits, LATE, and numerical equivalence.” *Econometrica* 87 (2).

Methods: Control functions, IV, marginal treatment effects

#### *Self-selection applications*

Kline, P., and Walters, C. (2016). “Evaluating public programs with close substitutes: the case of Head Start.” *Quarterly Journal of Economics* 131(4).

Kirkeboen, L., Leuven, E., and Mogstad, M. (2016). “Field of study, earnings, and self-selection.” *Quarterly Journal of Economics* 131(3).

Walters, C. (2018). “The demand for effective charter schools.” *Journal of Political Economy* 126 (6).

Methods: IV, discrete choice, dynamic models

### **Part III: Discrimination**

#### *Group differences in the labor market*

Altonji, J., and R. Blank (1999). “Race and gender in the labor market.” Handbook of Labor Economics, Volume 3.

Guryan, J., and Charles, K. (2013). “Taste-based or statistical discrimination: the economics of discrimination returns to its roots.” *The Economic Journal* 123 (572).

Chetty, R., N. Hendren, M. Jones, and S. Porter (2020). “Race and economic opportunity in the United States: an intergenerational perspective.” *Quarterly Journal of Economics* 135 (2).

Methods: Oaxaca-Blinder decompositions

#### *Experimental approaches*

Bertrand, M., and S. Mullainathan (2004). “Are Emily and Greg more employable than Lakisha and Jamal? A field experiment on labor market discrimination.” *American Economic Review* 94 (4).

Kline, P., and Walters, C. (forthcoming). “Reasonable doubt: experimental detection of job-level employment discrimination.” *Econometrica*.

Methods: Experiments, empirical Bayes, bounds

#### *Algorithmic bias*

Rose, E. K. (forthcoming). “Who gets a second chance? Effectiveness and equity in supervision of criminal offenders.” *Quarterly Journal of Economics*.

Kleinberg, J., H. Lakkaraju, J. Leskovec, J. Ludwig, and S. Mullainathan (2018). "Human decisions and machine predictions." *Quarterly Journal of Economics* 133 (1).

Methods: Difference-in-differences

#### **Part IV: Minimum Wages**

Andrews, I., & Kasy, M. (2019). Identification of and correction for publication bias. *American Economic Review*, 109(8), 2766-94.

Card, D., and Krueger, A. (1994). "Minimum wages and employment: a case study of the fast-food industry in New Jersey and Pennsylvania." *American Economic Review* 84 (4).

Cengiz, D., Dube, A., Lindner, A., and Zipperer, B. (2019). "The effect of minimum wages on low-wage jobs." *Quarterly Journal of Economics* 134 (3).

Dustmann, C., Lindner, A., Umkehrer, M., & vom Berge, P. (2020). *Reallocation Effects of the Minimum Wage* (No. 2007). Centre for Research and Analysis of Migration (CReAM), Department of Economics, University College London.

Harasztosi, P., and Lindner, A. (2019). "Who pays for the minimum wage?" *American Economic Review* 109 (8).

Giuliano, L. (2013). Minimum wage effects on employment, substitution, and the teenage labor supply: Evidence from personnel data. *Journal of Labor Economics*, 31(1), 155-194.

Methods: Difference-in-differences (DiD), differential exposure designs

#### **Part V: Firm Wage Premia**

Abowd, J., Kramarz, F., and Margolis, D. (1999). "High wage workers and high wage firms." *Econometrica* 67 (2).

Card, D., Heining, J., and Kline, P. (2013). "Workplace heterogeneity and the rise of West German wage inequality." *Quarterly Journal of Economics* 128 (3).

Card, D., Cardoso, A., and Kline, P. (2016). "Bargaining, sorting, and the gender wage gap: quantifying the impact of firms on the relative pay of women." *Quarterly Journal of Economics* 131 (2).

Gerard, F., Lagos, L., Severnini, E., & Card, D. (2018). *Assortative matching or exclusionary hiring? the impact of firm policies on racial wage differences in brazil* (No. w25176). National Bureau of Economic Research.

Goldschmidt, D., and Schmieder, J. (2017). "The rise of domestic outsourcing and the evolution of the German wage structure." *Quarterly Journal of Economics* 132 (3).

Kline, P., Saggio, R., and Sølvssten, M. (2020). "Leave-out estimation of variance components." *Econometrica* 88 (5).

Lachowska, M., Mas, A., Saggio, R. D., & Woodbury, S. A. (2020). *Do firm effects drift? Evidence from Washington administrative data* (No. w26653). National Bureau of Economic Research.

Methods: High dimensional fixed effects, Oaxaca decomp

## **Part VI: Monopsony, Rent-Sharing, and Outside Options**

Azar, J., Berry, S., and Marinescu, I. (2019). "Estimating labor market power." Working paper.

Card, D., Cardoso, A., Heining, J., and Kline, P. (2018). "Firms and labor market inequality: evidence and some theory." *Journal of Labor Economics* 36 (S1).

Di Addario, S., Kline, P., Saggio, R., and Solvsten, M. (2020). "It ain't where you're from, it's where you're at: hiring origins, firm heterogeneity, and wages." IRLE Working Paper #104-20.

Dube, A., Jacobs, J., Naidu, S., and Suri, S. (2020). "Monopsony in online labor markets." *American Economic Review: Insights* 2(1).

Jäger, S., Schoefer, B., Young, S., and Zweimüller, J. (2020). "Wages and the value of nonemployment." *Quarterly Journal of Economics* 135 (4).

Kline, P., Petkova, N., Williams, H., and Zidar, O. (2019). "Who profits from patents? Rent-sharing at innovative firms." *Quarterly Journal of Economics* 134 (3).

Staiger, D., Spetz, J., and Phibbs, C. (2010). "Is there monopsony in the labor market? Evidence from a natural experiment." *Journal of Labor Economics* 28 (2).

Methods: Discrete choice modeling, DiD, experiments, fixed effects