

ECO671 Economics of Labor and Human Capital

Units: 4

Term—Day—Time: Fridays 2:00 to 5:20pm

Location: KAP 138

Instructor: Simon Quach

Office: KAP 364

Office Hours: By appointment

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Course Description

What determines wages and employment in the economy? This question lies at the heart of many modern debates concerning income inequality, wage stagnation, the gender pay gap, and racial inequality. The purpose of this course is to introduce students to the theories of labor supply, labor demand, and human capital that help explain these phenomena.

The course begins with an overview of how wage dispersion has grown since the latter half of the 20th century. To start, the course will explore potential causes for this rise in inequality including technological change, trade, immigration, weakening labor market institutions, and a rise in employer market power. In the next segment of the course, students will learn about how beliefs, preferences, and frictions also play a role in shaping pay differences between groups. Lastly, the course concludes with a summary of the role of nature, nurture, and education in determining individuals' labor market outcomes.

For each topic, there will be a particular emphasis on the interaction between the predictions of the theoretical models and the evidence from empirical studies. Throughout the course, students will be highly encouraged to develop their independent research interests.

Learning Objectives

Students will be introduced to various theories, methods, and data sources for applied labor economics analysis. By the end of the course students are expected to:

- Demonstrate an understanding of the canonical theories and major empirical findings in the labor economics literature
- Think critically about the assumptions and policy recommendations of current research in order to identify areas for possible improvement
- Develop their own research questions that would expand the existing body of knowledge
- Become familiar with the quantitative tools used in applied microeconomics research at the level that students are able to identify appropriate methods and data to answer their own research questions
- Concisely present new ideas, method, and data in writing following the format of an academic article
- Practice presenting research ideas and answering audience's questions similar to academic seminars

Recommended Preparation: It is recommended, but not necessary, that students have a basic understanding of applied econometrics. For those unfamiliar with difference-in-differences, regression discontinuities, and instrumental variables, I highly suggest reading *Mostly Harmless Econometrics* (2009) by Angrist and Pischke.

Course Notes

Classes will take the form of lectures and discussions. Students will be provided lecture slides and other notes through Blackboard. Since this syllabus is prepared in advance of the semester, please note that circumstances may arise requiring some adjustment in the syllabus during the semester, especially in the required reading assignments.

Technological Proficiency and Hardware/Software Required

It is recommended that students use either LaTeX, Lyx, or Overleaf to write their research proposals to become familiar with the software and its citation capabilities. All three of these software provide free versions online.

Required Readings and Supplementary Materials

See the attached reading list for references to papers that will be covered in this course and other supplementary papers. The reading list is organized in the same sequence as the lectures, and required readings are indicated for each week with a star beside the name of the paper. Supplementary papers are optional and provide a starting point for students' literature reviews. All journal papers can be obtained through the USC Library.

Description and Assessment of Assignments

Class participation: Students are expected to raise and answer questions in class. Each student will also present one of the highlighted papers for 30-45 minutes. Use this as a guide for your presentations: https://www.brown.edu/Research/Shapiro/pdfs/applied_micro_slides.pdf

Replication:

Students will reproduce results from 3 papers that use the applied econometric tools discussed in class: IV, diff-in-diff / event-study, and RD / RKD. The data and replication code for each of these papers is available online.

- 1) IV: Autor, Dorn, Hansen (2013): The China Syndrome
 - a. Replicate figure 2 and table 2
- 2) Diff-in-diff: Cengiz et al. (2019): The Effect of Minimum Wages on Low-Wage Jobs
 - a. Replicate figures 2 and 3
 - b. Try it separately for salaried and hourly workers
- 3) RD: Landais (2015): Assessing the Welfare Effects of Unemployment Benefits
 - a. Replicate figures 4, 5, 6, and table 2 Sept 1980-1981

Research Proposal: Students will write one research proposal that focuses on an applied microeconomics topics. The goal of the research proposal is to give students a low-stakes environment to think of an ambitious idea that can potentially become a research paper. The proposal should be between 6-10 pages double-spaced (not including references), and should cover the following:

- a clear statement of your research question;
- brief motivation for your research question: Why is this question important?;
- review of the relevant theoretical and / or empirical literature;
- description of your proposed empirical strategy and proposed data sources;
- clear discussion of your potential contribution to the prior literature;
- clear discussion of what challenges, if any, that you expect to encounter.

The proposal should read very much like the introduction to most applied micro papers, with the absence of your findings and a greater emphasis on your question/methodology/data. You will motivate the question; place it in the literature; lay out your data sources and empirical strategy; and explain how you would interpret different sets of possible findings.

Presentation: Students will present their research proposal to the class, answering similar questions to the ones listed above. The length of the presentation will be 8-10 minutes, with Q&A throughout.

Grading Breakdown

Including the above detailed assignments, how will students be graded overall? Participation should be no more than 15%, unless justified for a higher amount. All must total 100%.

Assignment	Points	% of Grade
Class Participation		10
Replications		45
Research Proposal		20
Present Proposal		25
TOTAL		100

Grading Scale

Grading in this course is generally A to C minus, although students that miss classes or assessments could receive a lower grade. To receive an A, students are expected to demonstrate all of the course objectives to a high level.

Assignment Submission Policy

Assignments are to be submitted via Blackboard by midnight on its due date. Only pdf files will be accepted for written documents. Please also submit a printed copy of the assignment to the instructor in the first class after the due date.

Grading Timeline

Assignments will be graded and feedback given within 2 weeks of submission.

Additional Policies

Add any additional policies that students should be aware of: late assignments, missed classes, attendance expectations, use of technology in the classroom, etc.

Course Modality

The course content and delivery are designed for either in-person instruction or remote instruction.

Ideally, this course will be taught in person for ease of discussions. However, if circumstances require, the material for this course are also suitable for remote instruction. The course has been designed so that students can independently learn the main themes of the course from the required readings. At the same time, the instructor will guide students in discussions to consolidate key points, answer questions, and develop new ideas. Given the combination of out-of-class reading and group discussions, the pedagogy of this course aims to prepare students to become independent researchers. If the course has to move from in-person to online learning, students will continue to receive lecture slides ahead of time to provide a seamless transition. In that case, the instructor will also provide additional handouts of mathematical solutions where needed so that students can easily follow each step of a problem that would usually be solved on the board in class.

Course Schedule: A Weekly Breakdown

	Topics/Daily Activities	Readings for each class	Deliverable/ Due Dates
Week 1	Race Between Education and Technology	Acemoglu and Autor (2010) Autor (2018) L2 Notes (Click Here) Extra applications: Goldin and Katz (2007) Autor (2018) L3 Notes (Click Here) Card and Lemieux (2001)	
Week 2	Automation, technology, and superstar effect	Autor Notes L4 (Click Here) Akerman et al (2015) Denming et al (2020) Feigenbaum and Gross (2020)	
		Autor Notes L5 (Click Here) Koenig (2021 - JMP) Pallais (2014) Extra theory: Autor et al (2020)	
Weeks 3-4	Globalization and the Labor Market	Autor Notes L7 (Click Here) Autor Dorn Hanson (2013) Glennon (2020) Hjort et al (2020) Extra metrics: Borusyak et al (2020)	Homework due week 4 : Replication 1
		Card (1990) Borjas (2003) Doran et al (2020) Beerli et al (2021)	
		Williams (2015) Notes (Click Here) Borjas (1987) Abramitzky et al (2012) Abramitzky et al (2014) Extra applications: Kirkeboen et al (2016) Chandra et al (2007)	
Weeks 4-5	Labor Market Institutions	DiNardo and Lee (2004) Lee and Mas (2012) Farber et al. (2020) Frandsen (2020) Extra methods: Autor (2015) Notes (Click Here) Fortin et al (2021)	

		<p>Cengiz et al. (2019) Harasztosi and Lindner (2019) Dustman et al (2021) Quach (2021 - JMP)</p> <p>Extra about inequality: Autor et al (2016)</p>	
		<p>Kleiner and Soltas (2020) Young (2021) Gibson (2021)</p> <p>Extra : Naidu and Yuchtman (2013)</p>	
Week 6	Monopsony	<p>Manning (2003) - Chapter 2 Emmanuel (2021 - JMP) Staiger et al (2010) Derenoncourt (2021)</p>	
		<p>Azar et al (2019a) Schubert et al (2021) Arnold (2020 - JMP)</p>	
Week 7	Role of the Firm	<p>Card et al (2013) Song et al (2018) Goldschmidt and Schmeider (2017) Hazell et al (2021)</p>	Homework due week 7: Replication 2
		<p>Black and Strahan (2001) Kline et al (2019) Saez et al (2019) Risch (2020 - JMP)</p> <p>Extra theory: Card et al (2018)</p>	
Week 8	Fairness Concerns	<p>Card et al. (2012) Breza et al. (2017) Dube et al. (2019)</p>	
		<p>Kaur (2019 - JMP) Grisby et al. (2021) Hazell and Taska (2020 - JMP) Quach (2021b)</p>	
Week 9	Race and Discrimination	<p>Bayer and Charles (2018) Williams (2015) Notes (Click Here) Kline et al (2021) Bleemer (2021)</p> <p>Extra: Glover et al (2017) Kofi and Guryan (2008)</p>	Homework due week 9: Submit research proposal

		Goncalves and Mello (2020 - JMP) Fryer (2019) Arnold et al (2018) Tuttle (2020)	
Week 10	Labor Supply	Paradisi (2016) Notes (Click Here) Ashenfelter and Plant (1990) Saez (2010) Chetty (2011) Cesarini et al (2017)	
		Martinez et al. (2021) Fehr and Goette (2007) Farber (2015) Thakral and To (2021)	
Weeks 11-12	Job Loss and Job Search	Jacobson et al (1993) Lachowska et al (2020) Oreopolous et al (2012) Schmeider et al (2018)	
		Landais (2015) Card, Chetty and Weber (2007) DellaVigna et al (2017) Marinescu and Skandalis (2021)	
		Caldwell (2019 - JMP) Jaeger et al (2019) Jaeger et al (2020)	
Weeks 12-13	Compensating Differentials	Williams (2015) Notes (Click Here) Maestas et al (2018) Mas and Pallais (2017) Sorkin (2018)	Homework due week 12: Replication 3
		Goldin (2014) Wasserman (2020) Sarsons (JMP) Roussille (JMP)	
Weeks 13-14	Intergenerational Mobility	Williams (2015) Notes (Click Here) Sacerdote (2007) Black et al (2005) Bleakley et al (2016)	
		Kline and Moretti (2014) Chetty and Hendren (2018a) Chetty and Hendren (2018b) Austin et al. (2018)	
Weeks 14-15	Human Capital (if time permits)	Lemieux (2006) Oreopoulos and Salvanes (2011) Kirkeboen et al (2016)	

		Bharadwaj et al (2013) Doyle (2007) Ludwig and Miller (2007) Bailey et al (2020)	
Week 15	Management Practices (if time permits)	Bertrand and Schoar (2003) Bloom et al (2007) Bloom et al (2019)	Present proposal

Statement on Academic Conduct and Support Systems

Academic Conduct:

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” policy.usc.edu/scampus-part-b. Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

Support Systems:

Student Counseling Services (SCS) – (213) 740-7711 – 24/7 on call

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. engemannshc.usc.edu/counseling

National Suicide Prevention Lifeline – 1 (800) 273-8255

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. www.suicidepreventionlifeline.org

Relationship and Sexual Violence Prevention Services (RSVP) – (213) 740-4900 – 24/7 on call

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. engemannshc.usc.edu/rsvp

Sexual Assault Resource Center

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: sarc.usc.edu

Office of Equity and Diversity (OED)/Title IX Compliance – (213) 740-5086

Works with faculty, staff, visitors, applicants, and students around issues of protected class. equity.usc.edu

Bias Assessment Response and Support

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. studentaffairs.usc.edu/bias-assessment-response-support

The Office of Disability Services and Programs

Provides certification for students with disabilities and helps arrange relevant accommodations. dsp.usc.edu

Student Support and Advocacy – (213) 821-4710

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. studentaffairs.usc.edu/ssa

Diversity at USC

Information on events, programs and training, the Diversity Task Force (including representatives for each school), chronology, participation, and various resources for students. diversity.usc.edu

USC Emergency Information

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. emergency.usc.edu

USC Department of Public Safety – UPC: (213) 740-4321 – HSC: (323) 442-1000 – 24-hour emergency or to report a crime.

Provides overall safety to USC community. dps.usc.edu