

Econ 881 Labor Economics II

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Location:	Global Center Rm 3033	Office hours:	2:30-3:30 Wednesday and 3:30-4:30 Tuesday

Overview

This course will cover a range of topics in labor economics, including social interactions, economics of education, early childhood intervention, and discrimination. As a unifying theme, we will explore the potential of different policies to alleviate racial and economic inequalities. There will be a heavy emphasis on how economic theory and econometric methods can be used to infer causal, policy-relevant parameters.

Aims

- To introduce students to a range of interesting topics in labor economics
- To develop an understanding of how data can be used to test economic theory, and how economic theory can be used to interpret data, focusing on identification of policy-relevant parameters
- To illustrate how microeconomics can be applied to a range of real world problems
- To develop skills for critically evaluating research, to help distinguish elements of “good” research and develop an understanding of the limitations of a range of approaches
- To help inspire research ideas

Evaluation

Participation	30%
Class presentation	15%
Final Exam	25%
Research proposal	30%

Classroom Participation

Participation is critical for the success of the class. I expect you to come to each class having read the papers and prepared to discuss them. The more ready and willing you are to ask questions, the more you will learn.

To facilitate this, you will do a **summary** of each paper we discuss in class by providing a brief (1 to 2 sentence) responses to each of questions 1 to 5 of the guidelines for reading papers (described at the end of the syllabus), along with 1 critique and at least 1 question. These should be uploaded to Sakai prior to class. Please also **bring a printed copy of the paper to class**. Being prepared for class, completion of paper summaries, classroom attendance and participation will all be factored into the final participation grade.

Class presentation

I will ask you to lead the discussion of one of the papers and will attempt to assign a paper that interests you.

Research Project Proposal

The main goal of this course is to help to prepare you to do research. The research project proposal should be the beginnings of a field paper. It should be related to material we have covered in class. It should include the following elements:

- A clear, well-motivated research question.
- A description of how your paper contributes to the literature.
 - This should go beyond simply describing the relevant literature to being a critical analysis of the literature that motivates your contribution.
- A description of the data that you will use for the topic
 - While you may not be able to acquire the data by the end of the semester, you should demonstrate that the data can be acquired or that you are in the process of doing so.
- Econometric model and/or theoretical model
 - This should include a clear statement of how you propose to identify your causal effect of interest. This is absolutely essential to the success of the proposal.
- Preliminary results, if applicable

Initial proposal due October 2
Final due date: December 13

Final Exam

There will be a final take home exam that is open book to help you synthesize material you have learned during the course. **Expected due date: December 6.**

Use of Laptops

To minimize distractions and keep the environment as interactive as possible, I ask that you do not use a laptop during class and that you turn off iPhones and other electronic devices.

Honor Code

It is expected that you have read, understand and abide by UNC's honor code (<http://honor.unc.edu/>).

Reading List

The reading list is preliminary; expect it to evolve according to time constraints and interests. The plan is to focus lectures on articles denoted by “”. The other articles provide additional reading on the topic if you are interested.*

Education Production

- *Hanushek, E. A. (2003) “The Failure of Input-Based Schooling Policies,” *The Economic Journal*, 113:F64-F98.
- Hanushek, E. A. (1986) “The Economics of Schooling: Production and Efficiency in Public Schools,” *Journal of Economic Literature*, 24(3):1147-77.
- *Todd, P. E. and Wolpin, K. I. (2003) ‘On the specification and estimation of the production function for cognitive achievement’, *Economic Journal* 113(485), F3–F33.
- *Andrabi, T., J. Das, A. Ijaz Khwaja, and T. Zajonc (2011, July). Do Value-Added Estimates Add Value? Accounting for Learning Dynamics. *American Economic Journal. Applied Economics* 3(3), 29–54.

School Resources

- *Krueger, Alan (1999). “Experimental Estimates of Education Production Functions.” *Quarterly Journal of Economics* 114:2, pp. 497-532.
- *Chetty, R., J. Friedman, N. Hilger, E. Saez, D. Schanzenbach, D. Yagan (2011) “How does your kindergarten classroom affect your earnings? Evidence from Project STAR”, *Quarterly Journal of Economics*.
- *Cellini, Stephanie Riegg, Fernando Ferreira, and Jesse Rothstein, “The Value of School Facility Investments: Evidence from a Dynamic Regression Discontinuity Design,” *Quarterly Journal of Economics*, 2010, 125, 215–261.
- C. K. Jackson, R. C. Johnson and C. Persico (2016) "The Effects of School Spending on Educational and Economic Outcomes: Evidence from School Finance Reforms," *The Quarterly Journal of Economics*, 131(1): 157-218
- Martorell, F., K. Stange, and I. McFarlin (2015) “Investing in Schools: Capital Spending, Facility Conditions and Student Achievement”, *NBER working paper*.

Teacher Quality

- *Guarino, C. M. Reckase and J. Wooldridge (2015) “ Can value-added measures of teacher performance be trusted?” *Education Finance and Policy*, 10(1)
- *Chetty, R., J. Friedman and J. Rockoff (2014) Measuring the Impacts of Teachers I: Evaluating Bias in Teacher Value-Added Estimates, *American Economic Review* 104(9): 2593-2632.
- *Rothstein, J. (2010) "Teacher Quality in Educational Production: Tracking, Decay, and Student Achievement." *Quarterly Journal of Economics* 125(1), February 2010, p.p. 175-214.
- Steven G. Rivkin & Eric A. Hanushek & John F. Kain (2005) "Teachers, Schools, and Academic Achievement," *Econometrica*, Econometric Society, vol. 73(2), pages 417-458, 03.

Victor Lavy (2015) "What Makes an Effective Teacher? Quasi-Experimental Evidence," CESifo Economic Studies

Kinsler, J. (2012) Beyond Levels and Growth: Estimating Teacher Value-Added and its Persistence , J. Human Resources 47 (3): 722-753

Kane, Thomas J., and Douglas O. Staiger. 2008. "Estimating Teacher Impacts on Student Achievement: An Experimental Evaluation," NBER Working Paper No. 14607.

Chetty, R, J. Friedman and J. Rockoff (2014) Measuring the Impact of Teachers II: Teacher Value-Added and Student Outcomes in Adulthood, *American Economic Review* 104(9): 2633-2679.

Wiswall, M. (2013) "The Dynamics of Teacher Quality," *Journal of Public Economics*, 100, April 2013, p. 61–78.

Taylor, Eric S. and John H. Tyler. 2012. "The Effect of Evaluation on Teacher Performance." *American Economic Review*, 102(7): 3628-51.

Araujo, C., P. Carneiro, Y. Cruz and N. Schadt (2016) "Teacher Quality and Learning Outcomes in Kindergarten," *Quarterly Journal of Economics*

*Gershonson, S. C. Hart, C. Lindsay and N. Papageorge (2017) "The long-run impacts of same-race teachers", *working paper*.

Market for Teachers

*Hoxby, C.M. (1996) "How Teachers' Unions Affect Education Production," *The Quarterly Journal of Economics*, 111(3): 671-718.

Corcoran, S.; W. Evans, and R. Schwab (2004). "Changing Labor Market Opportunities for Women and the Quality of Teachers, 1957-2000." *American Economic Review* 94(2): 230-35

*Hoxby, C. M. and A. Leigh (2004) "Pulled Away or Pushed Out? Explaining the Decline of Teacher Aptitude in the United States," *AEA Papers and Proceedings*, 94(2): 236-240.

*Jackson, Kirabo (2013) "Match quality, worker productivity and worker mobility: direct evidence from teachers" *Review of Economics and Statistics*, October.

Dynamics of Skill Formation

*Cunha, Flavio, and James J. Heckman. 2008. "Formulating, Identifying and Estimating the Technology of Cognitive and Noncognitive Skill Formation." *Journal of Human Resources*, 43(4): 738–82.

Agostinelli, F. and M. Wiswall, 2016 "Estimating the Technology of Children's Skill Formation", working paper

Cunha, Flavio, James J. Heckman, and Susanne M. Schennach. 2010. "Estimating the Technology of Cognitive and Noncognitive Skill Formation." *Econometrica*, 78(3): 883–931.

Flavio Cunha, James J. Heckman, Lance Lochner, Dimitriy V. Masterov, Chapter 12 Interpreting the Evidence on Life Cycle Skill Formation, In: E. Hanushek and F. Welch, Editor(s), Handbook of the Economics of Education, Elsevier, 2006, Volume 1, Pages 697-812.

Aizer, A. and F. Cunha (2012) "The Production of Human Capital: Endowments, Investments and Fertility, NBER working paper 18429

Johnson, R. and K. Jackson (2017) "Reducing inequality through dynamic complementarity: evidence from Head Start and public school spending", working paper

Early Childhood

*Jens Ludwig & Douglas L. Miller, 2007. "Does Head Start Improve Children's Life Chances? Evidence from a Regression Discontinuity Design," *The Quarterly Journal of Economics*, vol. 122(1), pages 159-208, 02.

*Currie, Janet & Thomas, Duncan, 1995. "Does Head Start Make a Difference?," *American Economic Review*, vol. 85(3), pages 341-64, June.

*Heckman, J., R. Pinto, and P. Savelyev (2013) "Understanding the mechanisms through which an influential early childhood program boosted adult outcomes," *American Economic Review*

Deming, David. 2009. "Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start." *American Economic Journal: Applied Economics*, 1(3): 111–34.

Del Boca, D., C. Flinn and M. Wiswall (2014) "Household Choices and Child Development," *Review of Economic Studies* 81 (1), 2014, p. 137-85.

Nabanita Datta Gupta, Marianne Simonsen (2010) Non-cognitive child outcomes and universal high quality child care, *Journal of Public Economics*, 94(1-2), February: 30-43.

Caetano, G., J. Kinsler and H. Teng (2015) "Towards Consistent Estimates of Children's Time Allocation on Skill Development", working paper.

Achievement Gaps

*Fryer, R. G. and S. Levitt (2004) "Understanding the black-white test score gap in the first two years of school," *The Review of Economics and Statistics*, 86(2): 447-464.

*Bond and Lang (2012) "The Evolution of the Black-White Test Score Gap in Grades K-3: The Fragility of Results", *The Review of Economics and Statistics*, 95(5):1468-1479

Reardon, S. F. and J. P. Robinson (2007) "Patterns and Trends in Racial/Ethnic and Socioeconomic Academic Achievement Gaps," in *Handbook of Research in Education Finance and Policy*.

Fryer R, Levitt S. Testing for Racial Differences in the Mental Ability of Young Children. *American Economic Review* . 2013;103(2):981-1005.

Education Reform

Singleton, John (2017) "Incentives and Supply of Effective Charter Schools", working paper.

Fryer, Jr., R. (2014) Injecting Charter School Best Practices into Traditional Public Schools: Evidence from Field Experiments, *Quarterly Journal of Economics*

Dobbie, Will, and Roland Fryer. "The Medium-Term Impacts of High-Achieving Charter Schools". *Journal of Political Economy* 123.5 (2015): 985-1037.

Angrist, J., P. Hull, P. Pathak and C. Walters (2015) "Leveraging Lotteries for School Value-Added: Testing and Estimation" NBER Working paper 21748.

Rokkanen, M. (2015) "Exam Schools, Ability, and the Effects of Affirmative Action: Latent Factor Extrapolation in the Regression Discontinuity Design," working paper.

Neal, D. A. and D. W. Schanzenbach (2010) "Left Behind by Design: Proficiency Counts and Test-Based Accountability", *Review of Economics and Statistics*, 92:262-83.

Macartney, H. R. McMillan, U. Petronijevic (2015) "Incentive Design in Education: An Empirical Analysis" NBER working paper No. 21835.

Social Interactions

*Manski, C. (1993), 'Identification of endogenous social effects: The reflection problem', *The Review of Economic Studies*, 60(3): 531–542.

*Brock, W. A. and Durlauf, S. N. (2001a), 'Discrete choice with social interactions', *The Review of Economic Studies* 68(2): 235–260.

*Lavy and Schlosser (2011) "Mechanisms and Impacts of Gender Peer Effects at School", *AEJ: Applied Economics*, April.

*Carrell, S. B. Sacerdote and J. West (2013) From Natural Variation to Optimal Policy? The Importance of Endogenous Peer Group Formation," *Econometrica*. 81(3): 855-882.

Fruehwirth, J (2013) "Identifying Peer Achievement Spillovers: Implications for Desegregation and the Achievement Gap" *Quantitative Economics* 4(1).

Sacerdote (2001) "Peer Effects with Random Assignment: Results for Dartmouth Roommates", *Quarterly Journal of Economics*, 116(2).

Gaviria and Raphael (2001) "School-based Peer Effects and Juvenile Behavior", *Review of Economics and Statistics*, 83(2).

Lin, X. (2010), "Identifying peer effects in student academic achievement by a spatial autoregressive model with group unobservables," *Journal of Labor Economics* 28, 825- 860.

Blume, L., W. Brock, S. Durlauf and Y. Ioannides "Identification of Social Interactions," in *Handbook of Social Economics*, J. Benhabib, A. Bisin, and M. Jackson, eds., Amsterdam: North Holland, forthcoming.

Graham, B. S. (2008) "Identifying Social Interactions through Conditional Variance Restrictions," *Econometrica*, 76(3).

Austen-Smith, D. and R. G. Fryer (2005) "An Economic Analysis of 'Acting White'," *The Quarterly Journal of Economics* (May).

*Imberman, S. A., A. D. Kugler, and B. I. Sacerdote (2012) "Katrina's Children: Evidence on the Structure of Peer Effects from Hurricane Evacuees," *American Economic Review* 102 (5), 2048–82.

Lazear, E. P. (2001), 'Educational production', *Quarterly Journal of Economics* 116(3), 777–803.

Network Models

*Bramouille, Y., H. Djebbari, and B. Fortin (2009, May). Identification of peer effects through social networks. *Journal of Econometrics* 150(1), 41–55.

*Johnsson, I. and H. R. Moon (2017) “Estimation of Peer Effects in Endogenous Social Networks: Control Function Approach”, working paper

*Norris, Jonathan (2017) “Family and peer effects on schooling attitudes, performance and attainment”, *working paper*.

Hsieh, Chih-Sheng and Lung Fei Lee (2016) “A Social Interactions Model with Endogenous Friendship Formation and Selectivity”, *Journal of Applied Econometrics*.

Hsieh, Chih-Sheng and Hans van Kippersluis (2016) “Smoking Initiation: Peers and Personality”, *working paper*.

Arduini, T., E. Patacchini and E. Rainone (2015) “Parametric and semiparametric IV estimation of network models with selectivity”, working paper.

Boucher, V., Y. Bramouille, H. Djebbari and B. Fortin (2014) “Do Peers Affect Student Achievement? Evidence from Canada Using Group Size Variation”, *Journal of Applied Econometrics*, 29: 91-109.

Goldsmith-Pinkham, P. and G. W. Imbens (2013, May). Social Networks and the Identification of Peer Effects. *Journal of Business & Economic Statistics* 31(3), 253–264.

Liu, X., E. Patacchini and E. Rainone (2016) “Peer effects in bedtime decisions among adolescents: A social network model with sampled data”, forthcoming in *The Econometrics Journal*.

E. Patacchini, E. Rainone and Y. Zenou (2013) “Heterogeneous Peer Effects in Education”, working paper.

Graham, B. (2015) “An Econometric Model of Link Formation with Degree Heterogeneity”, working paper.

Leung, M. (2015) “Two-Step Estimation of Network-Formation Model with Incomplete Information”, *Journal of Econometrics*, 188(1): 182-195.

Neighborhood Effects

*Katz, Lawrence E., Jeffrey R. Kling and Jeffrey B. Liebman (2001) “Moving to Opportunity in Boston: Early Results of a Randomized Mobility Experiment”, *Quarterly Journal of Economics* 116 (May 2001), 607-54.

Jacob, B. A., M. Kapustin and J. Ludwig (2014) “The Impact of Housing Assistance on Child Outcomes: Evidence from a Randomized Housing Lottery” *The Quarterly Journal of Economics*.

*Chyn, E. (2015) “Moved to Opportunity: The Long-Run Effects of Public Housing Demolition on Labor Market Outcomes of Children”, working paper http://ericchyn.com/files/Chyn_Moved_to_Opportunity.pdf

Discrimination

*Knowles, J., N. Persico, and P. Todd, (2001), “Racial Bias in Motor Vehicle Searches: Theory and Evidence,” *Journal of Political Economy*, 109, 1, 203-229.

*Anwar, S. and H. Fang, (2006), “An Alternative Test of Racial Prejudice in Motor Vehicle Searches: Theory and Evidence, *American Economic Review*, 96, 1, 127-151

Persico, N., (2002), "Racial Profiling, Fairness, and the Effectiveness of Policing," *American Economic Review*, 92, 5, 1472-1497.

Antonovics, K. and B. Knight, (2009), "A New Look at Racial Profiling: Evidence from the Boston Police Department," *Review of Economics and Statistics*, 91, 1, 163-177.

*Neal, Derek A & Johnson, William R (1996) "The Role of Premarket Factors in Black-White Wage Differences," *Journal of Political Economy*, vol. 104(5), pages 869-95, October.

*Joseph G. Altonji & Charles R. Pierret (2001) "Employer Learning And Statistical Discrimination," *The Quarterly Journal of Economics*, MIT Press, vol. 116(1), pages 313-350, February.

*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): 991-1013.

Arcidiacono, Peter, Bayer, Patrick, and Hizmo, Aurel (2010) "Beyond Signaling and Human Capital: Education and the Revelation of Ability", *American Economic Journal: Applied Economics* 2(4): 76-104.

Becker, G. (1957), *The Economics of Discrimination*, Chicago; University of Chicago Press.

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

Heckman, J. (1998), "Detecting Discrimination," *Journal of Economic Perspectives* 12, 2, 101-116.

Heckman, J. and P. Siegelman, (1993), "The Urban Institute Audit Studies: Their Methods and Findings" in *Clear and Convincing Evidence*, M. Fix and R. Struyk, eds. Washington D.C.: Urban Institute Press.

Non-Cognitive Skills

*Papageorge, N., V. Ronda and Y. Zheng (2016) "The Economic Value of Breaking Bad: Misbehavior, Schooling and the Labor Market", working paper.

*Deming, D. (2016) "The Growing Importance of Social Skills on the Labor Market", working paper.

Heckman, James J, Rodrigo Pinto, and Peter Savelyev. 2013. "Understanding the Mechanisms through which an Influential Early Childhood Program Boosted Adult Outcomes." *American Economic Review* 103 (6): 2052–86.

Heckman, James J and Yona Rubinstein. 2001. "The Importance of Noncognitive Skills: Lessons from the GED Testing Program." *The American Economic Review* 91 (2):145– 149.

Mental Health and Labor Market

*Andersen, M. (2015) "Heterogeneity and the effect of mental health parity mandates on the labor market", *Journal of Health Economics*, 43:74-84.

*Banerjee, S., P. Chatterji, and K. Lahiri (2015) "Effects of Psychiatric Disorders on Labor Market Outcomes: A Latent Variable Approach Using Multiple Clinical Indicators", *Health Economics*.

Chatterji, P., M. Alegria and D. Takeuchi (2011) "Psychiatric disorders and labor market outcomes: Evidence from the National Comorbidity Survey-Replication" *Journal of Health Economics*, 30:858-88.

Currie, J. and M. Stabile (2006) "Child mental health and human capital accumulation: the case of ADHD" *Journal of Health Economics*, 25:1094-1118.

Fletcher, J. (2013) "Adolescent depression and adult labor market outcomes", *Southern Economic Journal*, 80(1): 26-49.

Social Effects in Welfare and Labor Markets

*Bertrand, M., E.F.P. Luttmer and S. Mullainathan (2000) "Network Effects and Welfare Cultures" *Quarterly Journal of Economics* 115(3): 1019-1055.

Dahl, G. B., A. R. Kostel and M. Mogstad (2014) "Family Welfare Cultures" *The Quarterly Journal of Economics*

Kroft, K. (2008) "Takeup, Social Multipliers and Optimal Social Insurance" *Journal of Public Economics*, 92(3-4):722-737.

Aslund, O. And P. Fredriksson (2009) "Peer Effects in Welfare Dependence: Quasi-experimental Evidence" *Journal of Human Resources*

Kramarz, F. and O. Norstrom Skans (2014) "When Strong Ties are Strong: Networks and Youth Labour Market Entry" *Review of Economics Studies* 81(3): 1164-1200.

Hedonics

*Bajari, Cooley, Kim and Timmins, (2012) "A Rational Expectations Approach to Hedonic Price Regressions with Time-Varying Unobserved Product Attributes: The Price of Pollution," *American Economic Review*

Black, S. (1999) "Do Better Schools Matter? Parental Valuation of Elementary Education," *Quarterly Journal of Economics*, 114(2): 577-599.

Economics of Religion

*Dehejia, Rajeev., Thomas DeLeire, and Erzo F. P. Luttmer. 2007. "Insuring Consumption and Happiness through Religious Organizations." *Journal of Public Economics* 91: 259-79.

Patacchini, E. and Y. Zenou (2016) "Social Networks and Parental Behavior in the Intergenerational Transmission of Religion", *Quantitative Economics*.

Gruber, J. and D. Hungerman (2008) "The Church vs. The Mall: What Happens When Religion Faces Secular Competition?" *Quarterly Journal of Economics*.

Glaeser, Edward. L., Giacomo A. M. Ponzetto, and Jesse M. Shapiro. 2005. "Strategic Extremism: Why Republicans and Democrats Divide on Religious Values." *The Quarterly Journal of Economics* 120 (4): 1283-330.

Hungerman, Daniel. M. 2013. "Substitution and Stigma: Evidence on Religious Markets from the Catholic Sex Abuse Scandal." *American Economic Journal: Economic Policy* 5(3): 227-53.

Montgomery, James D. 1996. "Contemplations on the Economic Approach to Religious Behavior." *American Economic Review* 86(2): 443-7.

*Hungerman, D. M. (2007) "Race and Charitable Church Activity", *Economic Inquiry*.

Some Helpful Guidelines for Reading Papers

The first set of questions are geared toward helping you to make sure you have understood the main part of the paper. A good introduction should hit most (often all) of these points.

1. What is the primary question/issue/hypothesis that the author wanted to address?
2. Why is the question interesting or important? (This often includes a description of how the paper contributes to the literature)
3. What data does the author use (if empirical paper)?
4. Give an intuitive description of the author's test or model. (This is absolutely key to making sure you've understood the paper. If the details of the model are confusing, take a step back and try to think about the underlying intuition.)
5. What are the author's findings or conclusions?

The second set of questions may help you to think critically about the paper.

6. Did you find the question interesting and relevant?
7. Are you convinced by the author's results/arguments? Why or why not?
8. Did they identify the effect they claimed to identify? Why or why not?
9. Did the results obtained justify the interpretation and conclusions? (Often this may include concerns about external validity or heterogeneous treatment effects)
10. Were the findings well supported by economic theory? In the cases where the paper does not have a clear theoretical model, do you think a model would have been helpful or that the lack thereof might lead to erroneous conclusions?