

## Labor Economics I

MIT (14.661)  
Fall 2003-2004

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### SECOND PART – AUTOR

Required readings are available as follows:

\*=In reading packet

<sup>J</sup>=Available through [www.jstor.org](http://www.jstor.org)

<sup>MIT</sup>=Available through MIT E-journals

<sup>R</sup>=On reserve at Dewey

**Note: Lecture will not be held on Thursday, November 13. A makeup lecture will be scheduled.**

#### 1. Skills Training, Holdups, and Specific Capital Investment (3 lectures)

##### 1.1 Theories of the Provision and Payment of Training

<sup>J</sup>Grout, Paul, “Investment and Wages in the Absence of Binding Contracts: A Nash Bargaining Approach,” *Econometrica*, 52, 1984, 449-460.

<sup>J</sup>Gibbons, Robert and Lawrence F. Katz, “Layoffs and Lemons,” *Journal of Labor Economics*, 9(4), 1991, 351 – 380.

<sup>J</sup>Greenwald, Bruce C, “Adverse Selection in the Labor Market,” *Review of Economic Studies*, 53, 1986, 325 – 347.

<sup>J</sup>Acemoglu, Daron and Steve Pischke, “The Structure of Wages and Investment in General Training,” *Journal of Political Economy*, 107(3), June 1999, 539-572.

<sup>J</sup>Acemoglu, Daron and Steve Pischke, “Why Do Firms Train? Theory and Evidence,” *Quarterly Journal of Economics*, 113(1), February 1998, 79-119.

<sup>R</sup>Acemoglu, Daron and Steve Pischke, “Beyond Becker: Training in Imperfect Labor Markets,” *Economic Journal*, 109, February 1999, F112-142.

<sup>MIT</sup>Autor, David H. “Why do Temporary Help Firms Provide Free General Skills Training?” *Quarterly Journal of Economics*, 116(3), 2001, 1409-1448.

##### 1.2 Firm Specific capital

<sup>MIT</sup>Lazear, Edward, “Firm-Specific Human Capital: A Skill Weights Approach.” NBER Working Paper No. 9679, May 2003.

<sup>J</sup>Prendergast, Canice, “The Role of Promotion in Inducing Specific Human Capital Acquisition”, *Quarterly Journal of Economics*, 108(2), May 1993, 523-534.

<sup>J</sup>Jacobson, Louise S., Robert Lalonde and Daniel G. Sullivan, “Earnings Losses of Displaced Workers.” *American Economic Review*, 83(4), 1993, 685 – 709.

<sup>J</sup>Altonji, Joe and R. Shakotko, “Do Wages Rise With Seniority?” *Review of Economic Studies*, 54, 1987, 437-459.

<sup>J</sup>Topel Robert, “Specific Capital, Mobility, and Wages: Wages Rise with Job Seniority” *Journal of Political Economy*, 99(1), February 1991, 145-76.

<sup>J</sup>Topel Robert and Michael Ward, “Job Mobility and the Careers of Young Men,” *Quarterly Journal of Economics*, 107 (2), May 1992, 439-479.

<sup>J</sup>Abraham Katherine and Henry Farber, “Job Duration, Seniority, and Earnings,” *American Economic Review*, 1986, 278-297.

## **2. Incentives, Effort and Monitoring (3 lectures)**

### **2.1 Efficiency wage theory**

<sup>J</sup>Shapiro, Carl, and Joseph E. Stiglitz, “Equilibrium Unemployment as a Worker Discipline Device.” *American Economic Review*, 74(3), 1984, 433 – 444.

<sup>J</sup>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.

<sup>MIT</sup>Fehr, Ernst and Simon Gächter, “Fairness and Retaliation: The Economics of Reciprocity” *Journal of Economic Perspectives*, 14(3), 2000, 159 – 81.

<sup>J</sup>Akerlof, George A. “Labor Contracts as Partial Gift Exchange.” *Quarterly Journal of Economics*, 97(4), 1982, 543 – 569.

<sup>J</sup>W. Bentley MacLeod and James Malcolmson, “Motivation and Markets.” *American Economic Review*, 88(3), 1998, 388-411.

### **2.2 Efficiency wage evidence**

<sup>MIT</sup>Campbell III, Carl M., and Kunal S. Kamani, “The Reasons for Wage Rigidity: Evidence from a Survey of Firms.” *Quarterly Journal of Economics*, 112(3), 1997, 759 – 789.

<sup>J</sup>Krueger, Alan B. “Ownership, Agency and Wages: An Examination of Franchising in the Fast Food Industry.” *Quarterly Journal of Economics*, 106(1), 1991, 75 –

<sup>J</sup>Cappelli, Peter and Keith Chauvin, “An Interplant Test of the Efficiency Wage Hypothesis.” *Quarterly Journal of Economics*, 106(3), August 1991, 769 – 787.

<sup>R</sup>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>)

<sup>J</sup>Holzer, Harry J, Lawrence F. Katz, and Alan B. Krueger, “Job Queues and Wages.” *Quarterly Journal of Economics*, 106(3), 1991, 739 – 68.

<sup>J</sup>Krueger, Alan B, and Lawrence H. Summers, “Efficiency Wages and the Inter-Industry Wage Structure, *Econometrica*, 56(2), 1988, 259 - 93.

<sup>R</sup>Ichino, Andrea and Regina T. Riphahn, “The Effect of Employment Protection on Worker Effort – A Comparison of Absenteeism During and After Probation.” European University Institute mimeo, October 2001.

<sup>J</sup>Baker, George, Michael Gibbs, and Bengt Holmstrom, “The Wage Policy of a Firm” *Quarterly Journal of Economics*, 109 (4), 1994, 921-955.

<sup>R</sup>Bewley, Truman, Why Wages Don't Fall During a Recession. Cambridge: Harvard University Press, 2000.

<sup>R</sup>Katz, Lawrence, “Efficiency Wage Theories: A Partial Evaluation.” *NBER Macroeconomics Annual*, NBER and MIT Press, 1986.

### **2.3 Measurement, Monitoring, and Risk (time permitting)**

<sup>J</sup>Prendergast, Canice, “The Provision of Incentives in Firms” *Journal of Economic Literature*, 37, March 1999, 7-63.

<sup>J</sup>Gibbons, Robert, “Incentives in Organizations.” *Journal of Economic Perspectives*, 12(4), 1998, 115 – 132.

<sup>J</sup>Baker, George P. “Incentive Contracts and Performance Measurement,” *Journal of Political Economy*, 100(3), 1991, 598-614

<sup>MIT</sup>Prendergast, C. “The Tenuous Tradeoff between Risk and Incentives,” *Journal of Political Economy*, 110(5), 2002, 1071 – 1102.

<sup>J</sup>Lazear, Edward P. “Pay, Performance and Productivity.” *American Economic Review*, 90(5), 2000, 1346 – 1361.

<sup>MIT</sup>Baker, George and Thomas N. Hubbard, “Make Versus Buy in Trucking: Asset Ownership, Job Design, and Information.” *American Economic Review*, 93(3), 2003, 551 – 572.

## **3. Information in Labor Markets: Self-Selection, Signaling and Discrimination (6 lectures)**

### **3.1 Self Selection**

<sup>J</sup>Roy, D. A.. “Some Thoughts on the Distribution of Earnings,” *Oxford Economic Papers*, 3(2), 1951, 235-46.

<sup>J</sup>Borjas, George, “Self-Selection and the Earnings of Immigrants,” *American Economic Review*, 77(4), 1987, 531-53.

<sup>J</sup>Heckman, J. and B. Honore, “The Empirical Content of the Roy Model,” *Econometrica*, 58(5), 1990, 1121-49.

<sup>J</sup>Salop, Joanne and Steven Salop, “Self-Selection and Turnover in the Labor Market,” *Quarterly Journal of Economics*, 90(4), November 1976, 619-627.

### **3.2 Market Signaling**

<sup>J</sup>Weiss, Andrew, “Human Capital and Sorting Models,” *Journal of Economic Perspectives*, 9(4), Autumn 1995, 133-154.

<sup>J</sup>Spence, Michael, “Job Market Signaling,” *Quarterly Journal of Economics*, 87(3), August 1973, 355-374.

<sup>MIT</sup>Tyler, John, Richard J. Murnane and John Willett, “Estimating the Labor Market Signaling value of the GED,” *Quarterly Journal of Economics*, 115(2), May 2002, 431-468.

<sup>J</sup>Lang, Kevin, and David Kropp, “Human Capital versus Sorting: The Effects of Compulsory Attendance Laws,” *Quarterly Journal of Economics*, 101, 1986, 609-624.

<sup>MIT</sup>Bedard, Kelly, “Human Capital versus Signaling Models: University Access and High School Dropouts,” *Journal of Political Economy*, 109(4), 2001, 749 – 775.

### 3.3 Labor Market Discrimination: Theory

<sup>R</sup>Arrow, Kenneth, “The Theory of Discrimination,” in Ashenfelter and Rees, eds., Discrimination in Labor Markets. Princeton: Princeton University Press, 1973.

<sup>R</sup>Becker, Gary, The Economics of Discrimination, 2nd ed.. Chicago: University of Chicago Press, 1971.

<sup>J</sup>Aigner and Cain, “Statistical Theories of Discrimination in Labor Markets,” *Industrial and Labor Relations Review*, 30(2), 1977, 175 – 187.

<sup>J</sup>Phelps, Edmund, “The Statistical Theory of Racism and Sexism,” *American Economic Review*, 62(4), 1972, 533-539.

<sup>R</sup>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)

### 3.4 Labor Market Discrimination: Evidence

<sup>MIT</sup>Goldin, Claudia and C. Rouse, “Orchestrating Impartiality: The Impact of Blind Auditions on the Sex Composition of Orchestras.” *American Economic Review* 90(4), 2000, 715-41.

<sup>MIT</sup>Fershtman, Chaim and Uri Gneezy, “Discrimination in a Segmented Society.” *Quarterly Journal of Economics*, 116(1), 2001, 351-377.

<sup>MIT</sup>Bertrand, Marianne and Sendhil Mullainathan, “Are Emily and Brendan More Employable than Latoya and Tyrone? A Field Experiment on Labor Market Discrimination,” NBER Working Paper No. 9873, July 2003.

<sup>J</sup>Neal, Derek A. and William R. Johnson, “The Role of Premarket Factors in Black-White Wage Differences,” *Journal of Political Economy*, 104(5), 1996, 869 – 895.

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

<sup>J</sup>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.

<sup>J</sup>Hamermesh, Daniel and Jeff Biddle, "Beauty and the Labor Market," *American Economic Review*, 84(5), 1994, 1174-1194.

### **3.5 Learning and Statistical Discrimination**

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

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

### **3.6 Civil Rights Legislation and the Black/White Wage Gap**

<sup>J</sup>Heckman, James and John Donohue, "Continuous Versus Episodic Change: The Impact of Affirmative Action and Civil Rights Policy on the Economic Status of Blacks," *Journal of Economic Literature*, 29(4), 1991, 1603-1643.

<sup>R</sup>Chay, Kenneth Y. "The Impact of Federal Civil Rights Policy on Black Economic Progress: Evidence from the Equal Employment Opportunity Act of 1972," *Industrial and Labor Relations Review*, 51(4), July 1998, 608 – 632.

<sup>R</sup>John J. Donohue III and Peter Siegelman, "The Changing Nature of Employment Discrimination Litigation," *Stanford Law Review*, (43), 1991, 983 – 1033.

## **4. Economics of Immigration (2 lectures)**

### **4.1 Theory**

<sup>R</sup>Borjas, G. "The Economic Analysis of Immigration," in Ashenfelter, O. and D. Card, eds., *Handbook of Labor Economics* 3A. Amsterdam: Elsevier, 2000. (also has an excellent treatment of the Roy Model). (on reserve)

<sup>J</sup>Borjas, George, "The Economics of Immigration," *Journal of Economic Literature*, 32(4), 1994, 1667-1717.

<sup>J</sup>Borjas, George "The Economic Benefits from Immigration," *Journal of Economic Perspectives*, 9(2), 1995, 3-22.

### **4.2 Impacts on Earnings and Employment of Natives**

<sup>MIT</sup>Card, David, "The Impact of the Mariel Boatlift on the Miami Labor Market," *Industrial and Labor Relations Review*, 43(2), 1990, 245-257.

<sup>MIT</sup>Friedberg, Rachel, "The Impact of Mass Migration on the Israeli Labor Market." *Quarterly Journal of Economics*, 117(4), 2001, 1373-1408.

<sup>MIT</sup>Borjas, G. "The Labor Demand Curve is Downward Sloping?" *Quarterly Journal of Economics*, 116(4), 2003, forthcoming.

<sup>J</sup>Friedberg, Rachel and Jennifer Hunt, "The Impact of Immigrants on Host Country Wages, Employment, and Growth," *Journal of Economic Perspectives*, 9(2), 1995, 23-44.

<sup>MIT</sup>Friedberg, Rachel, "You Can't Take it with You? Immigrant Assimilation and the Portability of Human Capital," *Journal of Labor Economics*, 18(2), 2000, 221-251.

<sup>R</sup>Altonji, Joseph and David Card, "The Effects of Immigration on the Labor Market Outcomes of Less-skilled Natives," in Abowd, J. and R. Freeman, eds., Immigration, Trade and the Labor Market, Chicago: University of Chicago Press, 1991.

<sup>J</sup>Borjas, George J., Richard B. Freeman, and Lawrence F. Katz, "How Much Do Immigrant and Trade Affect Labor Market Outcomes?" *Brookings Papers on Economic Activity*, 1997(1).