1. Course Description

This is the first course in a three-course sequence in graduate labor economics. I will cover the following topics: (a) models of labor supply and time allocation; (b) models of human capital investment, education and the earnings function, with special attention to the models of self-selection; and (c) models of family and household formation and familial resource allocation decisions. In the subsequent courses in the graduate labor economics sequence, you will cover additional topics, including labor demand, labor market equilibrium and wage determination, compensating wage differentials, and many more. As a field, modern labor economics has drawn on neoclassical economic theory—of the consumer and firm, as well as the theory of compensating differentials—to guide its investigations, has been decidedly empirical, and has been the “proving grounds” for many advances in econometric methods. Modern labor economics has spawned a number of theoretical and econometric advances that have had impacts on research in other fields within economics and in other disciplines.

This course is not designed to provide a comprehensive survey of any of the areas that I cover. Rather, my treatment will place a good deal of emphasis on modeling and econometric methods. While not as thoroughly, we also will examine the empirical validity of many of the models we consider. Finally, in my lectures, I will focus on only a subset of papers the papers on my reading list or that we could cover. In addition to focusing on these papers, I will try to give you a sense of how these papers fit into the broader literature in the field and how they relate to other work that we will not be able to cover in class.

2. Lectures and Classroom Discussion

The course will be a mixture of straight lecture and student participation. I will introduce topics and some of the main modeling and estimation issues. I will also pick out papers that I will ask all students to read carefully and be prepared to discuss in class. For each paper that we discuss, I want students to be prepared to address the following questions (as they are applicable) about the particular paper:

1. What is the question or issues that this paper is seeking to address? That is, what questions or puzzles motivate the paper?
2. What is the background for the paper? That is, how does it relate to previous literatures?
3. What theoretical model or framework is being used in the paper? (Be prepared to provide a summary of the model.)
   a) Does the model make sense? That is, does it seem to account for the behavior under investigation?
b) Is it internally consistent?
c) Does the model discriminate itself from other explanations of observed phenomena?

4. What econometric approach is used in the paper (if applicable)?
   a) What is the author trying to estimate and/or what hypotheses are being tested?
   b) How does the author(s) obtain identification of the effects of interest?
   c) What econometric methods are being used in estimation?
   d) Do the methods being used seem appropriate?
   e) Are the methods robust to the intrusion of various types of biases?

5. What conclusions, theoretical or empirical, does the author(s) reach?
   a) Do they make sense?
   b) Are they convincing and robust ones?
   c) Does the author(s) draw the correct inferences from their work?

6. If you were writing the paper, what would you do differently?

7. What extensions, alternative modeling or estimation do you think make sense?

During these discussions, I will call on students and expect them to carry the discussion of these questions for a paper (or papers). This means that all students need to prepare all papers. The above discussion questions are reproduced on the course website.

3. Course Website

   I have established a website for the course. It’s URL is:

   [http://www.econ.ucla.edu/hotz/e261a](http://www.econ.ucla.edu/hotz/e261a)

   You can obtain the following materials from the website: (a) this syllabus, and its updates; (b) the Schedule for the Lectures; (c) the Study Questions provided above; (d) Some of the course readings and/or their location on the web; (e) materials and schedule for those students planning to take the Labor Comps. I will be updating the website throughout the course, so please check it frequently.

4. Course Grading

   A student’s grade in this course will be based on their participation in class and on a final exam. Currently, the final exam is scheduled for **Wednesday, December 15, 1999**. All students who want credit for the course must take the final exam.

5. Students Planning to have Labor Economics as One of their Fields

   There are two requirements for a student who plans to have Labor Economics as one of their fields. First, the student must take EC 261A, EC 261B and EC 261C and to obtain at least an A- in each course. Second, the student must write, submit and present an original research paper on a topic in labor or an approved topic to the Labor Economics Faculty Comprehensive Committee (Currie, Devereux, and Hotz). In preparing the paper, students must complete each of several
steps throughout the 1999-2000 academic year. These steps, and their deadlines, are described in a write-up on a website for the Labor Economics Comps. The URL for this website is:

http://www.econ.ucla.edu/hotz/labcomp

Please make sure you check this website and obtain the information and schedule related to the preparation of the paper.

6. My Office Hours

My office is Bunche 8276, my email address is hotz@ucla.edu and telephone number is 310-647-6617. My office hours will be on Tuesdays from 1:30-3:30 p.m. If you need to see me at other times, please contact my administrative assistant, Ms. Gwen Matthews, at gknm@ucla.edu or at 310-206-4898 to make an appointment.
## Lecture Schedule and Readings:

The following is schedule of the topics to be considered and the readings that students should prepare before each lecture. I will attempt to maintain this schedule; if I deviate from it, I will inform the students in class and try to revise the “Schedule of Lectures” on the course web.

### Schedule of Lectures and Assigned Readings

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mon., Oct. 11</td>
<td>Estimation of Static Labor Supply Models</td>
<td>Heckman (1974); Heckman (1979); Moffitt (1990); Pencavel (1986); Killingsworth and Heckman (1986)</td>
</tr>
<tr>
<td>Wed., Oct. 27</td>
<td>No Class</td>
<td></td>
</tr>
<tr>
<td>Mon., Nov. 1</td>
<td>Human Capital Investments; Schooling and Earnings</td>
<td>Rosen (1977); Weiss (1986); Killingsworth and Heckman (1986); Mroz (1974)</td>
</tr>
<tr>
<td>Mon., Oct. 22</td>
<td>No Class</td>
<td></td>
</tr>
</tbody>
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### Human Capital Models

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wed., Oct. 27</td>
<td>No Class</td>
<td></td>
</tr>
<tr>
<td>Mon., Nov. 1</td>
<td>Human Capital Models</td>
<td>Rosen (1977); Weiss (1986); Killingsworth and Heckman (1986); Mroz (1974)</td>
</tr>
<tr>
<td>Mon., Oct. 22</td>
<td>No Class</td>
<td></td>
</tr>
</tbody>
</table>

### Labor Supply and Time Allocation Models

<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wed., Oct. 20</td>
<td>Allocation Models</td>
<td>Becker (1965); Gronau (1977); Heckman (1997); Killingsworth and Heckman (1997); Blundell &amp; MaCurdy (1999)</td>
</tr>
<tr>
<td>Mon., Oct. 25</td>
<td>Allocation Models</td>
<td>Becker (1965); Gronau (1977); Heckman (1997); Killingsworth and Heckman (1997); Blundell &amp; MaCurdy (1999)</td>
</tr>
<tr>
<td>Wed., Oct. 27</td>
<td>No Class</td>
<td></td>
</tr>
<tr>
<td>Mon., Nov. 1</td>
<td>Labor Supply and Time Allocation Models</td>
<td>Becker (1965); Gronau (1977); Heckman (1997); Killingsworth and Heckman (1997); Blundell &amp; MaCurdy (1999)</td>
</tr>
<tr>
<td>Mon., Oct. 22</td>
<td>No Class</td>
<td></td>
</tr>
</tbody>
</table>

*Note: All readings are available in the course web.
<table>
<thead>
<tr>
<th>Date</th>
<th>Topic</th>
<th>Readings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sat., Nov. 6**</td>
<td>Estimating Returns to Schooling: IV Methods</td>
<td>Card (1999); Angrist &amp; Krueger (1991); Kane, Rouse &amp; Staiger (1998)</td>
</tr>
<tr>
<td>Mon., Nov. 8</td>
<td>Estimating Returns to Schooling: Using Siblings and Twins</td>
<td>Card (1999); Griliches (1977); Griliches (1979); Ashenfelter &amp; Krueger (1994); Ashenfelter &amp; Zimmerman (1977)</td>
</tr>
<tr>
<td>Mon., Nov. 15</td>
<td>Economics of Marriage</td>
<td>Willis (1997); Heckman &amp; Willis (1997); Schultz (1997)</td>
</tr>
<tr>
<td>Wed., Nov. 17</td>
<td>The Roy Model: The Theory of Self-Selection</td>
<td>Roy (1951); Maddala (1961); Willis (1968); Neel and Roshin (1961)</td>
</tr>
<tr>
<td>Mon., Nov. 22</td>
<td>Economic Models of Fertility</td>
<td>Willis (1973); Becker (1960); Hotz and Miller (1988); Wolpin (1984)</td>
</tr>
<tr>
<td>Wed., Dec. 1</td>
<td>Economic Models of Fertility</td>
<td>Roy (1961); Maddala (1961); Willis (1987); Willis (1997)</td>
</tr>
<tr>
<td>Mon., Nov. 29</td>
<td>Economic Theories of the Family</td>
<td>Hotz, Klerman, &amp; Willis (1997); Schultz (1997); Bergstrom (1997)</td>
</tr>
<tr>
<td>Sun., Dec. 4**</td>
<td>Out-of-Wedlock and Teenage Childbearing</td>
<td>Willis (1999); Hotz and Jim (1992); Heisz, Hofer, and Jim (1992)</td>
</tr>
<tr>
<td>Mon., Dec. 6</td>
<td>Economics of Marriage</td>
<td>Willis (1997); Heckman &amp; Willis (1997); Schultz (1997)</td>
</tr>
<tr>
<td>Wed., Dec. 15</td>
<td>Final Exam</td>
<td>No Class</td>
</tr>
</tbody>
</table>

*All assigned readings should be read before the lecture. I will inform you of which readings students should be prepared to discuss in class. While not all of the readings will be covered in the lectures (or discussion), all of them will be "fair game" for the final exam.**Make-up classes, to be held 1 p.m. – 3 p.m.; Room to be announced.
Readings to be Covered in Class and on Final Exam

* Denotes required readings

[C] Indicates that reading is available on EC 261A Course Website
[N] Indicates that reading is available at NBER website [www.nber.org]
[J] Indicates that reading is available at JSTOR website [www.jstor.org]
Readings with no designation must be obtained from the library.

1. The Supply of Labor

1.1 Survey Papers


1.2 Empirical Facts about and Trends in Labor Force Participation and Hours of Work


1.3 The Static Labor Supply Model: The Basic Theory and Econometrics


1.4 The Static Labor Supply Model: Empirical Applications


1.5 The Life Cycle Labor Supply Model with Exogenous Wage Rates


2. Human Capital

2.1 Survey Papers


2.2 Human Capital Investment Models: Schooling, Work Experience and Earnings Functions


2.3 Estimating the Returns to Education


### 2.4 The Effects of Quality of Education on Earnings


### 2.5 The Roy Model: The Theory of Self-Selection


3. Economic Theories of Fertility

3.1 Static Models


3.2 Dynamic Life Cycle Models

**3.3 Economic Models of Teenage and Out-of-Wedlock Childbearing**


**4. Economic Theories of Marriage and Divorce**


4.1 Economic Theories Family Decision-Making


### 4.2 Intergenerational Transfers and Altruism in the Family


Becker, (1991), *A Treatise on the Family* Chapter 6, 7. [C]


Goldberger, A. “Economic and Mechanical Models of Intergenerational Transmission”, *American Economic Review*, 79(3), June, 504-513. (see also Becker’s reply) [J]