

Economics 440-1 - *Economics of the Labor Market*  
Northwestern University  
Department of Economics  
Fall 2019

## Course Syllabus

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**Overview:** This course studies topics in labor economics, surveying both theoretical and empirical work in the field. The topics will be focused around the core areas of labor supply, labor demand, and human capital. The theoretical models will include dynamic labor supply models, models of skill-biased technological change, and models of signaling, skill premia, and self-selection. The empirical work will focus on recent papers studying human capital, inequality, trade/offshoring, and immigration.

**Honor Code:** Students in my class are required to adhere to the standards of academic integrity as outlined by the Office of the Provost at Northwestern University (see “Principles of Academic Integrity” available here: <http://www.northwestern.edu/provost/policies/academic-integrity/index.html>).

**Textbooks:** There are two optional textbooks for this course. The first is *Labor Economics* by Cahuc and Zylberberg (ISBN: 978-0262033169). My class notes, lecture slides, and syllabus do NOT contain any references to this textbook. You should think of it as a standalone reference. I recommend labor students and labor-macro students own the textbook, since it may be useful for you in the future. However, if you are auditing the class and your main areas of research are outside labor, you probably don’t need the textbook. The second textbook is *Mostly Harmless Econometrics* by Angrist and Pischke (ISBN: 978-0691120355). I may include references to this book in my slides, and I recommend it for all students in class (including those auditing the class).

**Web Page:** The course webpage is on Canvas with the following course identifier:  
**2019FA\_ECON\_440-1\_SEC20**

**Lecture Slides:** The Lecture Slides for each lecture will be made available on the course webpage the day before class. The Lecture Slides are intended to provide an outline of what I will cover in class, as well as some important tables and figures. I will also be solving problems on blackboard; those will often NOT be included in slides. If you miss a class, please get notes from a classmate, and also please visit the course webpage for any announcements you may have missed.

**Grading:** Grades will be determined by the following formula:

	Percent of Final Grade
Referee Reports	25%
Problem Sets	50%
Final Exam	25%

**Problem Sets:** There will be three graded problem sets. The problem sets are required. No late problem sets will be accepted under any circumstances. You will have ample time to complete each problem set since there are only three for the entire quarter. They will be in-depth exercises that will require both solving theoretical models and doing simulations and/or statistical programming. You are allowed and encouraged to work with your classmates on the problem sets. However, you must hand in your own set of answers with explanations in your own words. If a problem requires calculations or math, you must show your own work. Identical copies of joint work are not acceptable.

**Referee Reports:** There will be two graded referee reports later in the quarter. These are also required. I will post some of my own referee reports so you can see some examples. I will likely give choice regarding which paper you would like to write a referee report for.

**Review Sessions:** There will not be any weekly review sessions, since the class does not have a Teaching Assistant (TA). However, I will have office hours from 10:30-12pm on Wednesdays in my office, and there are additional office hours posted on my door. Additionally, you can always e-mail me if you would like to talk outside of this window.

**Exams:** There is no midterm exam. There is only a final exam, which will be held in the assigned final exam slot. There is no scheduled make-up time for the exam. The exam will be CLOSED-BOOK (i.e., no notes, books, etc.). If you anticipate a potential medical emergency (e.g., you are due to give birth on day of final) please talk to me as soon as possible. Under no circumstances will I allow any student to take the final exam before the scheduled date. I reserve the right to give an alternative version of the exam if a student takes the exam outside of the scheduled time slot.

**Course Prerequisites:** You should refresh your memory of first-year micro theory, especially game theory and basic theory of consumer/producer demand. The mathematical requirements for this course are not difficult. The problem sets will require a fair amount statistical programming (in the language of your choice), and I will try to make these assignments both useful and challenging. In my experience, the programming/statistical part is more challenging for students than the math.

**Getting Additional Help:** By appointment, through email.

**Course Schedule (See full schedule for all readings)**

[NOTE: I am planning 20 lectures for the quarter, which includes the Tuesday December 3 lecture during the undergraduate reading period, but I am NOT planning a lecture for Thursday December 5. That day will be reserved as a potential make-up lecture]

**Topic 1 – Summary of Course; Basic Labor Market Facts and Trends (~1 lecture)**

**Topic 2 – Labor Supply (~4-5 lectures)**

- A. Neoclassical Labor Supply Models (~1-2 lectures)
- B. Dynamic (Life-Cycle) Labor Supply Models (~1 lecture)
- C. Applications: Tax and Transfer Programs (~1 lecture)
- D. Household / Family Labor Supply Models (~1 lecture)

**Topic 3 – Labor Demand (~6-7 lectures)**

- A. Theories of Skill Premia (~1 lecture)
- B. Skill-Biased Technological Change (~1-2 lectures)
- C. Trade, Outsourcing, and Labor Demand (~1-2 lectures)
- D. Models for Employer-Employee Data; Wage Density Decompositions (~1 lecture)
- E. Applications: Immigration and Labor Market Outcomes (~1 lecture)

**Topic 4 – Human Capital (~4-6 lectures)**

- A. Investment in Human Capital (~1 lecture)
- B. Returns to Education (~1-2 lectures)
- C. Education and Signaling (~1 lecture)
- D. Roy Model, Self-Selection, and Education (~1-2 lecture)

**Topic 5 – Bonus Topic [time permitting]**

- A. Minimum Wages
- B. Economics of Discrimination
- C. Recent Job Market Papers

**Additional Topics [not covered, but can discuss during office hours]**

- A. Referrals
- B. Assignment Models
- C. Peer Effects
- D. Fairness and Social Norms
- E. Segregation
- F. Unions