

Lectures in Advanced Applied Microeconomics

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Overview

These lectures constitute an introduction to the structural estimation of microeconomic behavior. In order to illustrate the general methodological approach, we will concentrate on applications in labor economics. Specifically, we will review the basic theory of job search in a partial equilibrium environment and then use the model as a motivation for doing empirical work. We will first consider reduced form approaches to estimation, i.e., methods that recover parameters of functions that are not explicitly derived from the optimization problem inherent in the job search model. We will then consider structural approaches to estimation, i.e., methods that aim at recovering the parameters of the optimization problem itself.

Reading List

The topics covered in these lectures and the readings by topic are enumerated below. The starred items are the most important articles. Note that there may not be time to cover Section II on Job Turnover and the Wage-Tenure Relationship.

I. Job Search and Unemployment

Theory

1. Lippman S. and J. McCall, "The Economics of Job Search: A Survey." Economic Inquiry 14 (1976): 155-89.
2. Mortensen, D. "Job Search and Labor Market Analysis." In Handbook of Labor Economics, Vol. II. (1986): 849-66.*
3. van den Berg, G. "Nonstationarity in Job Search Theory." Review of Economic Studies 57 (1990): 255-77.
4. van den Berg, G. "The Effects of Changes of the Job Offer Arrival Rate on the Duration of Unemployment." Journal of Labor Economics 12 (1994): 478-98.

Estimation

Reduced Form Approaches

5. Ehrenberg, R. and R. Oaxaca. "Unemployment Insurance, Duration of Unemployment, and Subsequent Wage Growth." American Economic Review 66 (1976): 754-66.*

6. Kiefer N. and G. Neumann. "An Empirical Job Search Model with a Test of the Constant Reservation Wage Hypothesis." Journal of Political Economy 87 (1979): 69-82.
7. Feldstein M. and J. Poterba. "Unemployment Insurance and Reservation Wages." Journal of Public Economics 23 (1984): 141-67.
8. Lancaster T. "Simultaneous Equation Models in Applied Search Theory." Journal of Econometrics 28 (1985): 113-26.
9. Ham J. and S. Rea. "Unemployment Insurance and Male Unemployment Duration in Canada." Journal of Labor Economics 5 (1987): 325-53.
10. Meyer, B. "Unemployment Insurance and Unemployment Spells." Econometrica 58 (1990): 757-82.

Structural Approaches

11. Flinn C. and J. Heckman. "New Methods for Analyzing Structural Models of Labor Force Dynamics." Journal of Econometrics 18 (1982): 114-42.*
12. Lancaster T. and A. Chesher. "An Econometric Analysis of Reservation Wages." Econometrica 51 (1983): 1661-76.
13. Wolpin, K. "Estimating a Structural Search Model: The Transition from School to Work." Econometrica 55 (1987): 801-17.*
14. Blau D. "Search for Non-Wage Job Characteristics: A Test of the Reservation Wage Hypothesis." Journal of Labor Economics 9 (1991): 186-205.
15. Eckstein Z. and K. Wolpin. "Duration to First Job and the Return to Schooling: Estimates from a Search-Matching Model." Review of Economic Studies 62 (1995): 263-86.

II. Job Turnover and the Wage-Tenure Relationship

Theory

1. Jovanovic, B. "Job Matching and the Theory of Turnover." Journal of Political Economy (1979): 972-90.
2. Jovanovic, B. "Firm-Specific Capital and Turnover." Journal of Political Economy (1979): 1246-60.
3. Hashimoto, M. "Firm Specific Human Capital as a Shared Investment." American Economic Review 71 (1981): 475-82.
4. Lazear, E. "Agency, Earnings Profiles, Productivity and Hours Restrictions." American Economic Review 71 (1981): 606-20.
5. Mortenson, D. "Job Search and Labor Market Analysis." In Handbook of Labor Economics, Vol. II. (1986): 869-76.*

Estimation

Reduced Form Approaches

6. Altonji J. and R. Shaktko. "Do Wages Rise with Job Seniority?" Review of Economic Studies 54 (1987): 437-59.

7. Abraham, K.G. and H.S. Farber. "Job Duration, Seniority, and Earnings." American Economic Review 77 (1987): 278-97.
8. Topel, R. "Specific Capital, Mobility, and Wages: Wages Rise With Job Seniority." Journal of Political Economy 99 (1991): 145-76.*

Structural Approaches

9. Wolpin, K. "The Determinants of Black-White Differences in Early Employment Careers: Search, Layoffs, Quits, and Endogenous Wage Growth." Journal of Political Economy 100 (1992): 535-60.*
10. Sauer, R.M. "Job Mobility and the Market for Lawyers." Journal of Political Economy 106 (1998): 141-71.*