

## Labor Economics I

MIT 14.661  
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The aim of this course is to acquaint students with traditional topics in labor economics and to encourage the development of independent research interests. Prerequisites are intermediate microeconomics and a course in econometrics.

Class requirements: In addition to readings, there are 5 graded problem sets, an empirical project involving replication and extension of published work, and a 3 hour final during exam week.

A Stellar website has our readings, assignments, and recitation material (<http://stellar.mit.edu/S/course/14/fa08/14.661/index.html>). Valid MIT web certificates are required for full access to the site.

Articles, handbook chapters, and sections from books on the reading list will be made available through Stellar as we go along. Books are also on reserve at Dewey.

### FIRST PART -- ANGRIST

*Books* O. Ashenfelter and R. Layard, *The Handbook of Labor Economics*, Volumes 1 & 2, North-Holland, 1986; Volume 3A, 3B & 3C, 1999.

G. Borjas, *Labor Economics*, 4th Edition, McGraw Hill, 2008.

#### *Outline and readings*

##### I. Labor Market Statistics: Data Sources and Historical Overview

J. Angrist and A. Krueger, "Empirical Strategies in Labor Economics," chapter 23 in volume 3A of The Handbook of Labor Economics, 1278-1357, Sections 3 and 4.

L. Katz and D. Autor, "Changes in the Wage Structure and Earnings Inequality," chapter 26 in volume 3A of The Handbook of Labor Economics, 1999.

C. Goldin, "Labor Markets in the 20th Century," NBER Historical Working Paper No. 8, June 1994 [also in *Cambridge Economic History of the US*, 1-85].

U.S. Department of Labor, Bureau of Labor Statistics, *How the Government Measures Unemployment*, BLS Report 505, 1977.

U.S. Department of Labor, Bureau of Labor Statistics, *Concepts and Methods Used in Labor Force Statistics from the CPS*, BLS Report No. 463, Series P-20 No. 62, October 1976.

C. Romer, "Spurious Volatility in Historical Unemployment Data," *Journal of Political Economy*, 94 [1], February 1986, 1-37.

A. Polivka, "Data Watch: The Redesigned Current Population Survey," *Journal of Economic Perspectives* 10 [3], Summer 1996, 169-180.

H. Farber, "The Changing Face of Job Loss in the United States, 1981-1995," *Brookings Papers on Economic Activity: Microeconomics*, 1997, 55-128.

H. Farber, "What Do We Know about Job Loss in the United States? Evidence from the Displaced Workers Survey, 1984-2004," *Economic Perspectives*, Federal Reserve Bank of Chicago, 2Q, 2005.

C. Goldin and R. Margo, "The Great Compression: The Wage Structure in the United States at Mid-century," *QJE*, February 1992.

D. Autor and M. Duggan, "The Rise in the Disability Rolls and the Decline in Unemployment," *Quarterly Journal of Economics*, February 2003.

C. Mulligan and Y. Rubinstein, "Selection, Investment, and Women's Relative Wages Over Time," *The Quarterly Journal of Economics* 123 (2008).

D. Acemoglu, D. Autor, and D. Lyle, "Women, War, and Wages: The Effect of Female Labor Supply on the Wage Structure at Mid-century," *JPE*, June 2004.

D. Autor, L. Katz, and M. Kearney, "Trends in U.S. Wage Inequality: Re-Assessing the Revisionists," *The Review of Economics and Statistics*, May 2008.

W. Kopczuk, E. Saez, and J. Song, "Uncovering the American Dream: Inequality and Mobility in Social Security Earnings Data since 1937," NBER Working Paper 13345, August 2007.

T. Lemieux, "The Changing Nature of Wage Inequality," NBER Working Paper No. 13523, October 2007.

## II. The Neoclassical Labor Supply Model

### A. Basics

A. Deaton and J. Muellbauer, *Economics and Consumer Behavior*, Cambridge University Press, 1980, especially Chapter 4.

M. Killingsworth, *Labor Supply*, Cambridge University Press, 1983; Chapters 1, 2, and 7.

M. Abbott and O. Ashenfelter, "Labor Supply, Commodity Demand and the Allocation of Time," *Review of Economic Studies*, 43[3] October 1976, 389-411.

O. Ashenfelter and J. Heckman, "The Estimation of Income and Substitution Effects in a Model of Family Labor Supply," *Econometrica*, 42[1], January 1974, 73-86.

Blundell and MaCurdy, HOLE Volume 3A, chapter 27, 1999.

M. Killingsworth and J. Heckman, "Female Labor Supply: A Survey," chapter 2 in The Handbook of Labor Economics, Volume 1, 103-204

O. Ashenfelter, "What is Involuntary Unemployment?," *Proceedings of the American Philosophical Society*, 122[3], June 1978.

Heckman, James J., "Shadow Prices, Market Wages and Labor Supply," *Econometrica*, 42[4], July 1974, 679-94.

Imbens, Rubin, and Sacerdote, "Estimating the Effect of Unearned Income on Labor Supply: Evidence from a Survey of Lottery Players," *American Economic Review* 91 (2001).

## B. Tax and Transfer Programs

R. Moffitt, "Welfare Programs and Labor Supply," Handbook of Public Economics: Volume 4. eds. A. Aurbach and M. Feldstein, September 2002.

N. Eissa and J. Leibman, "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics* 111 (May 1996).

Killingsworth, Chapter 6.

O. Ashenfelter, "The Labor Supply Response of Wage Earners," in Palmer and Pechman, eds., Welfare in Rural Areas, Brookings, 1978, 109-148.

Greenberg, D., and H. Halsey, "Systematic Misreporting and Effects of Income Maintenance Experiments on Work Effort: Evidence from the SIME-DIME," *Journal of Labor Economics*, 1[4], October 1983, 380-407.

O. Ashenfelter, "Determining Participation in Income-Tested Social Programs," *Journal of the American Statistical Association*, 78[383], September 1983, 517-525.

O. Ashenfelter and M. Plant, "Non-Parametric Estimates of the Labor Supply Effects of Negative Income Tax Programs," *Journal of Labor Economics*, 8[1] Part 2, 1990, S397-S415.

Plant, M., "An Empirical Analysis of Welfare Dependence," *American Economic Review*, 74[4], September 1984, 673-684.

R. Blank, "Evaluating Welfare Reform in the United States," *Journal of Economic Literature*, December 2002, 1105-66.

R. Blundell, A. Duncan, and C. Meghir, "Estimating Labor Supply Responses Using Tax Reforms," *Econometrica* 66 (1998), 827-861.

D. Card and D. Hyslop, "Estimating the Effects of a Time-Limited Earnings Subsidy For Welfare-Leavers," *Econometrica* 73 (November 2005), 1723-1770.

## C. The Life-Cycle Model

Lucas, R.E., and L. Rapping, "Real Wages, Employment, and Inflation," *Journal of Political Economy*, 77[5], September-October 1969, 721-764.

G. Becker and G. Ghez, The Allocation of Time and Goods Over the Life-Cycle, Columbia University Press, 1975.

T. MaCurdy, "An Empirical Model of Labor Supply in a Life-Cycle Setting," *Journal of Political Economy*, 89[6], December 1981, 1059-1085.

J. Altonji, "Intertemporal Substitution in Labor Supply: Evidence from Micro Data," *Journal of Political Economy*, 94[3] Part 2, June 1986, S176-S215.

Browning, Deaton and Irish, "A Profitable Approach to Labor Supply and Commodity Demand Over the Life-Cycle," *Econometrica*, 53[3], May 1985, 503-543.

O. Ashenfelter, "Macroeconomic and Microeconomic Analyses of Labor Supply," Carnegie-Rochester Conference on Public Policy, 21, 1984, 117-156.

J. Angrist, "Grouped-Data Estimation and Testing in Simple Labor Supply Models," *Journal of Econometrics*, 47[2], 1991, 243-266.

D. Card, "Intertemporal Labor Supply: An Assessment," in C. Sims, ed., Advances in Econometrics Sixth World Congress, vol. II, Cambridge University Press, 1994, 49-78.

P.J. Devereux. "Small Sample Bias in Synthetic Cohort Models of Labor Supply," forthcoming in *The Journal of Applied Econometrics* 2007, 839-848.

*Cab drivers, stadium vendors, and bicycle messengers*

C. Camerer, L. Babcock, G. Lowenstein, and R. Thaler, "Labor Supply of New York City Cabdrivers: One Day at a Time," *QJE* 112 (1997), 407-441.

Oettinger, Gerald S., "An Empirical Analysis of the Daily Labor Supply of Stadium Vendors," *Journal of Political Economy*, 107[2], April 1999, 360-92.

H. Farber, "Is Tomorrow Another Day? The Labor Supply of New York City Cab Drivers," *JPE*, February 2005.

E. Fehr and Goette, "Do Workers Work More if Wages are High? Evidence from a Randomized Field Experiment," *American Economic Review*, March 2007.

H. Farber, "Reference-Dependent Preferences and Labor Supply: The Case of New York City Taxi Drivers," *The American Economic Review* 98 (2008), 1069-1082.

#### D. Household and Family Models

Becker, Gary S., 1981, *A Treatise on the Family*, Cambridge: Harvard University Press.

Bronars, S., and J. Grogger, "The Economic Consequences of Unwed Motherhood: Using Twins as a Natural Experiment," *American Economic Review*, 84[5], December 1994, 1141-1156.

Browning, M., "Children and Household Economic Behavior," *Journal of Economic Literature*, 30[3], September 1992, 1434-1475.

Gronau, R., "Leisure, Home Production, and Work -- The Theory of the Allocation of Time Revisited," *Journal of Political Economy*, 85[6], December 1977, 1099-1124.

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J. Angrist and W. Evans, "Children and their Parents' Labor Supply: Evidence from Exogenous Variation in Family Size," *AER* 88[3], June 1998, 450-477.

Gronau, R., "Sex-Related Wage Differentials and Women's Interrupted Careers-The Chicken or the Egg," *Journal of Labor Economics*, 6[3], July 1988, 277-301.

Willis, R., "What Have We Learned from the Economics of the Family?," *American Economic Review*, 77[2], May 1987, 68-81.

Gelbach, J., "Public Schooling for Young Children and Maternal Labor Supply," *American Economic Review*, 92, March 2002, 307-322.

Kearney, M., "Is There an Effect of Incremental Welfare Benefits on Fertility Behavior? A Look at the Family Cap," *Journal of Human Resources* 39(2), 2004.

#### *Marriage markets*

Becker, G., "A Theory of Marriage: Part I," *Journal of Political Economy*, 81[4], July-August 1973, 813-46.

Grossbard-Shechtman, S., 1984, "A Theory of Allocation of Time in Markets for Labour and Marriage," *Economic Journal*, 94[376], December 1984, 863-882.

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N. Qian, "Missing Women and the Price of Tea in China: The Effect of Sex-Specific Income on Sex Imbalance," *QJE*, August 2008.

#### *Quantity-quality*

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Becker, G., and N. Tomes, "Child Endowments and the Quantity and Quality of Children," *Journal of Political Economy*, 84[4] Part 2, August 1976, S143-S162.

Rosenzweig, M., and K.I. Wolpin, "Testing the Quantity-Quality Fertility Model: The Use of Twins as a Natural Experiment," *Econometrica*, 48[1], January 1980, 227-240.

Black, S., P. Devereux, and K. Salvanes, "The More the Merrier? The Effect of Family Size and Birth Order on Children's Education," *QJE*, May 2005.

J. Angrist, V. Lavy, and A. Schlosser, "New Evidence on the Causal Link between the Quantity and Quality of Children," IZA Discussion Paper 2075, April 2006.

N. Qian, "Quantity-Quality and the One Child Policy: The Only-Child Disadvantage in School Enrollment in China," Brown Department of Economics, mimeo, March 2008.

### III. Labor Demand, Immigration, Minimum Wages, and Unions

#### A. Labor Demand and Immigration

D. Hamermesh, Labor Demand, Princeton, NJ: Princeton University Press, Chapters 2-3, 18-136.

D. Hamermesh, "The Demand for Labor in the Long Run," Chapter 8 in O. Ashenfelter and R. Layard [eds.] Handbook of Labor Economics, Volume 1, 1986.

S. Nickell, "Dynamic Models of Labour Demand," Chapter 9 in O. Ashenfelter and R. Layard [eds.] Handbook of Labor Economics, Volume 1, 1986.

H. Varian, Microeconomic Analysis [third edition], New York: Norton, 1992.

D. Card, "Unexpected Inflation, Real Wages, and Employment Determination in Union Contracts," *American Economic Review*, September 1990, 669-88.

J. Angrist, "Short-Run Demand for Palestinian Labor," *Journal of Labor Economics*, July 1996.

#### *Immigration*

J. Altonji and D. Card, "The Effects of Immigration on the Labor Market Outcomes of Less-Skilled Natives," in J. Abowd and R. Freeman, eds., Immigration, Trade, and the Labor Market, University of Chicago Press, 1991, 201-234.

D. Card, 'The Impact of the Mariel Boatlift on the Miami Labor Market.' *Industrial and Labor Relations Review*, vol.43, (January 1990), pp. 245--257.

Pischke, Jorn-Steffen, and Johannes Velling, "Employment Effects of Immigration to Germany: An Analysis Based on Local Labor Markets," *The Review of Economics and Statistics* 79 (Nov. 1997), 594-604.

J. Angrist and A. Kugler, "Protective or Counter-Productive? Labor Market Institutions and the Effect of Immigration on EU Natives," *The Economic Journal*, June 2003.

G. Borjas, "The Labor Demand Curve is Downward Sloping: Reexamining the Impact of Immigration on the Labor Market," *QJE* November 2003.

P. Cortes, "The Effect of Low-Skilled Immigration on US Prices: Evidence from CPI Data," *JPE* 2008, 381-422.

A. Kugler and M. Yuksel, "Effects of Low-Skilled Immigration on US Natives: Evidence from Hurricane Mitch," University of Houston Economics Dept mimeo, August 2008.

C.L. Smith, "Dude, Where's my Job? The Impact of Immigration on the Youth Labor Market," Chapter 1 in MIT Ph.D. thesis, September 2008.

#### B. Minimum Wages

C. Brown, "Minimum Wages, Employment, and the Distribution of Income", Chapter 32 in O. Ashenfelter and D. Card [eds.] Handbook of Labor Economics, Volume 3, 1999.

D. Card, "Using Regional Variation to Measure the Effect of the Federal Minimum Wage," *Industrial and Labor Relations Review*, October 1992.

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J. Kennan, "The Elusive Effects of Minimum Wages," *Journal of Economic Literature* , 33[4], December 1995, 1949-1965.

R. Dickens, S. Machin and A. Manning, "The Effects of Minimum Wages on Employment: Theory and Evidence From Britain", *Journal of Labor Economics*, 17[1], January 1999, 1-22.

Manning, Alan, *Monopsony in Motion: Imperfect Competition in Labor Markets*, Princeton University Press, 2003.

### C. Unions

R. Freeman and J. Medoff, *What Do Unions Do?*, Basic Books, 1985.

H. Gregg Lewis, *Union Relative Wage Effects: A Survey*, Chicago: University of Chicago Press, 1986.

Farber, Henry. "The Analysis of Union Behavior," In Orley Ashenfelter and Richard Layard (eds), The Handbook of Labor Economics, Volume II, 1986.

J.N. Brown and O.C. Ashenfelter, "Testing the Efficiency of Employment Contracts," *Journal of Political Economy* 1986, S40-S87.

G. Jakubson, "Estimation and Testing of the Union Wage Effect Using Panel Data," *Review of Economic Studies*, 1991, 971-91.

J. DiNardo and D.S. Lee, "Economic Impacts of New Unionization on US Private Sector Employers: 1984-2001," *QJE* 119 (2004), 1383-1442.

A. Krueger and A. Mas, "Strikes, Scabs, and Tread Separations: Labor Strife and the Production of Defective Bridgestone/Firestone Tires," *JPE*, April 2004.

## IV. Human Capital, Education, and Training

### A. Schooling, Experience, and Earnings

J. Mincer, Schooling, Experience, and Earnings, New York: NBER, 1974.

G. Becker, Human Capital, 3rd Edition, Chicago: University of Chicago press, 1993.

R.J. Willis, "Wage Determinants," Chapter 10 in The Handbook of Labor Economics.

R.J. Willis, and Sherwin Rosen, "Education and Self-Selection," *Journal of Political Economy*, 87[5] Part 2, Oct 1979: S7-S36.

R. Freeman, "Demand for Education," Chapter 6 in *The Handbook of Labor Economics*, Volume 1, 1986.

Griliches and Mason, "Education, Income and Ability," *Journal of Political Economy*, 80[3], May-June 1972 Part 2, S74-S103.

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R. Freeman, "Overinvestment in College Training," *Journal of Human Resources*, Summer 1975, 10[3], 287-311.

J. Angrist, "The Economic Returns to Schooling in the West Bank and Gaza Strip," *American Economic Review*, 85[5], Dec 1995, 1065-1087.

#### *Returns to schooling econometrics*

Z. Griliches, "Estimating the Returns to Schooling: Some Econometric Problems," *Econometrica*, January 1977.

D. Card, "Earnings, Schooling, and Ability Revisited," in: S. Polachek, ed. *Research in Labor Economics*, 14, 1995, 23-48.

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P. Oreopoulos, "Estimating Average and Local Average Treatment Effects of Education when Compulsory Schooling Laws really Matter," *American Economic Review* 96(1), March 2006, pp. 152-175.

#### *The GI Bill*

J. Bound and S. Turner, "Going to War and Going to College Did World War II and the G.I Bill Increase Educational Attainment for Returning Veterans?" *Journal of Labor Economics*, 2002, Volume 20, 784-815.

M. Stanley, "College Education and the Midcentury GI Bills," *QJE* 2003.

J. Angrist and S. Chen, "Long-Term Consequences of Vietnam-Era Conscription: Schooling, Experience and Earnings," IZA Discussion Paper No. 3628, August 2008.

### *Returns to experience*

J. Altonji and R. Shakotko, "Do Wages Rise with Job Seniority?," *Review of Economic Studies*, July 1987.

J. Angrist, "Lifetime Earnings and the Vietnam Era Draft Lottery: Evidence from Social Security Administrative Records," *American Economic Review*, 80[3], June 1990, 313-336.

### B. The Evaluation of Training Programs

J. Heckman and A. Krueger, *Inequality in America: What Role for Human Capital Policies?*, Cambridge, MA: The MIT Press, 2003.

J. Angrist and A. Krueger, "Empirical Strategies in Labor Economics," chapter 23 in The Handbook of Labor Economics, Volume IIIA.

Ashenfelter, O.A., "Estimating the Effect of Training Programs on Earnings," *The Review of Economics and Statistics*, 60[1], Feb 1978, 47-57.

Ashenfelter, O.A. and D. Card, "Using the Longitudinal Structure of Earnings to Estimate the Effect of Training Programs on Earnings," *The Review of Economics and Statistics*, 67 [4], November 1985, 648-660.

Card, D. and D. Sullivan, "Measuring the Effect of Subsidized Training on Movements In and Out of Employment," *Econometrica*, 56[3], May 1988, 497-530.

LaLonde, R., "Evaluating the Econometric Evaluations of Training Programs with Experimental Data," *American Economic Review*, 76 [4], September 1986, 604-620.

Heckman, J.J., and J.V. Hotz, "Choosing Among Alternative Nonexperimental Methods for Estimating the Impact of Social programs: The Case of Manpower Training," *JASA*, 84[408], December 1989, 862-880.

R. Dehejia and S. Wahba, "Causal Effects in Non-experimental Studies: Re-evaluating the Evaluation of Training Programs," *JASA*, 94[448], December 1999, 1053-62.

Orr, Larry L., H.S. Bloom, S.H. Bell, F. Doolittle, W. Lin, and G. Cave, *Does Training for the Disadvantaged Work?*, Washington, DC: The Urban Institute, 1996.

J. Smith and P. Todd, "Reconciling Conflicting Evidence on the Performance of Propensity Score Matching Methods," *American Economic Review* 91 (May 2001).

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### C. School Inputs, Peer Effects, and Incentives

D. Card and A. Krueger, "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States," *Journal of Political Economy* 100, February 1992.

J. Angrist and V. Lavy, "Using Maimonides' Rule to Estimate the Effect of Class Size on Student Achievement," *Quarterly Journal of Economics*, May 1999.

A. Krueger, "Experimental Estimates of Education Production Functions," *QJE*, May 1999.

J. Angrist and J. Guryan, "Does Teacher Testing Raise Teacher Quality? Evidence from State Certification Requirements," *Economics of Education Review*, October 2008.

J. Angrist, E. Bettinger, E. Bloom, E. King., M. Kremer, "Vouchers for Private Schooling in Colombia: Evidence from a Randomized Natural Experiment," *American Economic Review*, December 2002.

E. Duflo, "Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment," *AER* 2001, 795-813.

#### *Peer Effects*

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J. Angrist and K. Lang, "Does School Integration Generate Peer Effects? Evidence from Boston's Metco Program," *AER*, December 2004.

E. Gould, V. Lavy, M.D. Paserman, "Does Immigration Affect the Long-Term Educational Outcomes of Natives? Quasi-Experimental Evidence," Hebrew University Department of Economics, mimeo, July 2008.

V. Lavy, and A. Schlosser, "Mechanisms and Impacts of Gender Peer Effects at School," NBER Working Paper 13292, September 2007.

E. Duflo, P. Dupas, and M. Kremer, "Peer Effects and the Impact of Tracking," MIT mimeo, June 2008.

#### *Incentives*

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J. Angrist and P. Oreopoulos, "Incentives and Services for College Achievement: Evidence from a Randomized Trial," *American Economic Journal: Applied Economics*, 2009.

M. Kremer, E. Miguel, and R. Thornton, "Incentives to Learn," forthcoming in *The Review of Economics and Statistics*.

#### D. Other Human Capital and Schooling Topics

A. Banerjee, S. Cole, E. Duflo, and L. Linden, "Remedying Education: Evidence from Two Randomized Experiments in India," *QJE*, August 2007.

H. Bleakley and A. Chin, "Language Skills and Earnings: Evidence from Childhood Immigrants," *The Review of Economics and Statistics*, May 2004.

J. Angrist and V. Lavy, "The Effect of a Change in Language of Instruction on the Returns to Schooling in Morocco," *Journal of Labor Economics* 15 (January 1997).

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## SECOND PART -- ACEMOGLU

### *Books:*

Acemoglu, Daron and David Autor, *Lectures in Labor Economics*, manuscript in preparation.

Becker, Gary, *Human Capital*, The University of Chicago Press, 1964.

Pierre Cahuc and Andre Zilberberg *Labor Economics* MIT Press, 2004.

Lazear, Edward *Personnel Economics*, MIT Press, 1995

Pissarides, Christopher; *Equilibrium Unemployment Theory*, MIT Press, 2000.

## I. Topics in The Theory of Human Capital

### Overview:

Becker, Gary, *Human Capital*, The University of Chicago Press, 1964.

### A. Investment in Education and Skills

\* AA, Chapter 1.

\* CZ, Chapter 2.

\* Ben-Porath, Yoram (1967). "The Production of Human Capital Over the Life Cycle," *Journal of Political Economy*, Vol. 75, No. 4-1, pp. 352-365.

\* Richard Willis, and Sherwin Rosen, "Education and Self-Selection," *Journal of Political Economy* (Supplement) 87: S7-S36, 1979.

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Zimmerman, David J. "Regression toward Mediocrity in Economic Stature" *American Economic Review* v82, n3 (June 1992): 409-29

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## **B. Signaling**

\* AA, Chapter 2.

\* Spence, Michael (1973) "Job Market Signaling" *Quarterly Journal of Economics*, 87(3), 355 – 374.

Stiglitz, Joseph "The Theory of Screening, Education, and the Distribution of Income" *American Economic Review*, 66, 283 – 300.

Lang, Kevin, and David Kropp (1986), "Human Capital Versus Sorting: The Effects of Compulsory Attendance Laws," *Quarterly Journal of Economics* 101, 609-624.

\* Tyler, John, Richard J. Murnane and John Willett (forthcoming) "Estimating the Labor Market Signaling value of the GED" *Quarterly Journal of Economics*..

## **C. Externalities and Peer Effects**

\* AA, Chapter 3.

\* Benabou, Roland (1993). "Workings of a City: Location, Education and Production", *Quarterly Journal of Economics*, Vol. 108, No. 3, pp. 619-652.

\* Hoxby, Caroline (1996). "Are Efficiency and Equity in School Finance Substitutes or Complements", *Journal of Economic Perspectives*, Vol. 10, No. 4, pp. 51-72.

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\* Manski, Charles (1993) "Identification of Endogenous Social Effects: the Reflection Problem," *Review of Economic Studies*, 60, 531-542.

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\* Mas, Alex and Enrico Moretti (2006) "Peers at Work" NBER Working Paper # 12508.

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\* Zimmerman, David (2003) "Peer Effects in Higher Education: Evidence from a Natural Experiment," *Review of Economics and Statistics*, 85, 9-23.

## II. Incentives, Agency and Efficiency Wages

For an overall overview of this part see:

\* Prendergast, Canice (1999) "The Provision of Incentives in Firms" *Journal of Economic Literature*, 28, 7-63

\* Lazear, Edward (1996) *Personnel Economics*, MIT University Press.

Gibbons, Robert (1996) "Incentives and Careers in Organizations" in *Advances in Economics and Econometrics: Theory and Applications* edited by David Kreps and Ken Wallis, Cambridge University Press, Cambridge.

### A. Basic Theory of Moral Hazard and Incentives, and Applications to CEO Pay and Unemployment Insurance

\* AA, Chapter 4.

\* CZ Chapters 6 and 11.

Salanie, Bernard (1997) *The Economics of Contracts: A Primer*, MIT University Press, Chapter 5.

Laffont, Jean-Jacques and David Martimort (2002) *The Theory of Incentives: The Principals-Agent Model*, Princeton University Press, Chapter 4.

\* Holmstrom, Bengt (1979) "Moral Hazard and Observability" *Bell Journal of Economics*, 10, 74-91.

\* Lazear, Edward (1996) *Personnel Economics*, MIT University Press, Chapter 2.

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