
ECO 2801S
Labor Economics II
(Methods for Empirical Microeconomics)

University of Toronto

Department of Economics
Winter, 2009

Course Description

For the academic year 2008-09, ECO 2801 (Labour Economics II) is the course number and name assigned to what will eventually be a new course, “Methods for Empirical Microeconomics.” This course is directed at graduate students conducting research in the “applied micro” fields, especially (but not exclusively) labour, development, and public economics.

While it has a labour course number, this is not purely a labour economics course: it is a course in empirical modelling and applied econometrics. The tools covered in the course, however, are central to those used in empirical labour economics, as well as other applied microeconomics fields like development and public economics. The focus will be the identification of causal relationships using regression-based analysis. Empirical examples will be drawn from recent work in labour, development, and public economics.

Instructor

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Meetings

Lectures are Tuesdays, 11:00 to 1:00, in the new classroom, GE100. I expect that we will need more time per week, especially to accommodate student presentations later in the semester, and we will exploit a third hour, probably on Friday mornings (10:00 to 11:00). Details on the extra time slot will be provided later.

Readings

The core lecture material is based on the new book:

Joshua D. Angrist & Jörn-Steffen Pischke, *Mostly Harmless Econometrics: An Empiricist's Companion*, Princeton University Press, 2008.

This is (in principle) available at the Textbook Store, or can be purchased from various online booksellers.

In addition to the textbook, a central part of the course will be selected journal articles that illustrate the various empirical strategies and methods that we will be discussing. The articles will be drawn broadly from empirical microeconomic fields, and the course will therefore have “economic content” in addition to the focus on applied econometrics. A complete list of the readings will be provided as the course proceeds, and most articles will be available through Blackboard.

Website

The course website (on Blackboard) is accessible through:

<http://www.chass.utoronto.ca/~benjamin/eco2801s-09.htm>

I plan to post the slides from my lectures on the website. In addition, I will provide links to the assigned journal articles. I tend to use Blackboard extensively as a means of communication with the class, so I recommend you check the announcements regularly.

Email Policy

Please feel free to email me questions or comments pertaining to the course, with the following proviso:

- The answer requires a one or two-line response (maximum). It is my experience that email is an inefficient way to discuss economics. Questions that require more than one or two-line answers are more appropriate for office hours.

I will normally reply to emails within 24 hours, except on weekends.

Evaluation

A solid understanding of the various empirical strategies, and how they are implemented in “real research” is a key objective of the course. As such, a detailed understanding of important/illustrative papers in the field is an excellent way to acquire this understanding. There are two main components to the graded course work:

- **Term Assignment (50%):** A detailed summary and critical review of an assigned article. This will be comprised of two parts: (1) A short (“20 minutes”) class presentation, built around 3 or 4 Powerpoint slides; (2) A “10 page,” more detailed evaluation of the paper. Details will be provided later in the semester.
- **Final Exam (50%):** The exam will be offered during the exam period at the end of the semester.

Planned Coverage

We will follow the material outlined in Angrist & Pischke very closely. At this point, I cannot accurately predict the pace of coverage, but the basic plan is:

1. Introduction to the “Experimental Ideal” for understanding causality and credible research design (Chapters 1 and 2);
 - We will also add extra coverage of the role of social experiments;
2. Detailed review of Ordinary Least Squares and Regression analysis (Chapter 3);
3. Instrumental Variables (Chapter 4);
 - This is probably the most important material.
4. Panel Data and Differences-in-Differences (Chapter 5);
5. Regression Discontinuity Design (Chapter 6);
6. Issues with Standard Errors (Chapter 8).