

# MSc Economic Policy Analysis

EC406, Michaelmas 2007, Weeks 6-10

## LECTURER:

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## READINGS:

\* denotes essential reading.

### Week 6 Social Experiments (with an application to discrimination)

\*J. Heckman and J. Smith (1995) "Assessing the Case for Social Experiments", *Journal of Economic Perspectives*, Spring 1995, pp85-110.

\*David Card and Philip Robins, "Do Financial Incentives Encourage Welfare Recipients to Work? Evidence from a Randomized Evaluation of the Self-Sufficiency Project," NBER Working Paper No. 5701.

\*Charles Michalopoulos, et al., "Making Work Pay: Final Report on the Self-Sufficiency Project for Long-Term Welfare Recipients", Social Research Demonstration Corporation, July 2002.

\*Marianne Bertrand, Dean Karlan, Sendhil Mullainathan, et al., "What's Psychology Worth? A Field Experiment in the Consumer Credit Market," Working Paper, 2005.

\*Joshua Angrist and Victor Lavy, "The Effect of High School Matriculation: Evidence from Randomized Trials," NBER Working Paper No. 9389.

\*Esther Duflo and Emmanuel Saez, "The Role of Information and Social Interactions in Retirement Savings Decisions: Evidence from a Randomized Experiment," *QJE*, August 2003.

M. Bertrand and S. Mullainathan, (2004) "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination", *American Economic Review*, September, 2004 or NBER Working Paper, No.9873 <http://www.nber.org/papers/w9873>

G. Burtless (1995) "The Case for Randomized Field Trials in Economic and Policy Research". *Journal of Economic Perspectives*, Spring 1995, pp63-84.

R. Fryer and S. Levitt (2004) "The Causes and Consequences of Distinctively Black Names", *Quarterly Journal of Economics*, August 2004, pp767-805.

Cox, *The Planning of Experiments*, selected chapters.

### **Week 7: Unions; Regression Discontinuity**

\* Joseph Tracy, "An Investigation into the Determinants of US Strike Activity," *AER*, 1986.

\* John DiNardo and David Lee, "Economic Impacts of New Unionization," *QJE*, 1994.

Peter Crampton, Morley Gunderson, and Joseph Tracy, "The Effect of Collective Bargaining Legislation on Strikes and Wages," *ReStat*, 1999.

Orley Ashenfelter and Dean Hyslop, "Measuring the Effects of Arbitration on Wage Levels," *ILRR*, 2001.

Alexandre Mas, "Pay, Reference Points, and Policy Performance," manuscript.

Card, "The Effect of Unions on the Structure of Wages," *Econometrica*, 1996.

### **Week 8: Instrumental Variables Revisited and an Application to Labor Supply**

\*Imbens, Guido, and J. Angrist, "Identification and Estimation of Local Average Treatment Effects," *Econometrica*, Vol. 62, 467-75.

\*Angrist, J., G. Imbens, and D. Rubin, "Identification of Causal Effects Using Instrumental Variables" (with discussion), *Journal of the American Statistical Association*, 91, 444-72.

\*Joshua Angrist and William Evans, "Children and Parents' Labor Supply: Evidence from Exogenous Variation in Family Size," *American Economic Review*, Vol. 88, No. 3 (June 1998), pp. 450-477.

James Heckman, "Instrumental Variables: A Study of Implicit Behavioral Assumptions", *Journal of Human Resources*.

Joshua Angrist and Guido Imbens, "Comment on 'Instrumental Variables: A Study of Implicit Behavioral Assumptions,'" *JHR*.

James Heckman, Reply to previous, *JHR*.

## **Week 9: Matching Estimators**

\*Abadie, Alberto, and Guido Imbens, "Bias Corrected Matching Estimators for Average Treatment Effects",

<http://ksghome.harvard.edu/~.aabadie.academic.ksg/bcm.pdf>

\*Rajeev Dehejia and Sadek Wahba, "Causal Effects in Non-Experimental Studies: Re-Evaluating the Evaluation of Training Programs," *Journal of the American Statistical Association*, Volume 94, Number 448 (December 1999), pp. 1053-1062.

\*Rajeev Dehejia and Sadek Wahba, "Propensity Score Matching Methods for Non-Experimental Causal Studies," *Review of Economics and Statistics*, Volume 84 (February 2002), pp. 151-161.

## **Week 10: Discrimination**

Theory—

\*Altonji, Joseph and Rebecca Blank, Handbook, Vol. 3C.

Aigner and Cain, "Statistical Theories of Discrimination in Labor Markets," *Industrial and Labor Relations Review*, 30(2), 1977, 175 – 187.

Phelps, Edmund, "The Statistical Theory of Racism and Sexism," *American Economic Review*, 62(4), 1972, 533-539.

Arrow, Kenneth, "The Theory of Discrimination," in Ashenfelter and Rees, eds., *Discrimination in Labor Markets*. Princeton: Princeton University Press, 1973.

Becker, Gary, *The Economics of Discrimination*, 2nd ed.. Chicago: University of Chicago Press, 1971.

Evidence—

\*Goldin, Claudia and C. Rouse, "Orchestrating Impartiality: The Impact of Blind Auditions on the Sex Composition of Orchestras." *American Economic Review* 90(4), 2000, 715-41.

Fershtman, Chaim and Uri Gneezy, "Discrimination in a Segmented Society." *Quarterly Journal of Economics*, 116(1), 2001, 351-377.

\*Bertrand, Marianne and Sendhil Mullainathan, "Are Emily and Brendan More Employable than Latoya and Tyrone? A Field Experiment on Labor Market Discrimination," NBER Working Paper No. 9873, July 2003.

\*Neal, Derek A. and William R. Johnson, "The Role of Premarket Factors in Black-White Wage Differences," *Journal of Political Economy*, 104(5), 1996, 869 – 895.

Holzer, Harry J. and Keith R. Ihlanfeldt, "Customer Discrimination and Employment Outcomes for Minority Workers." *Quarterly Journal of Economics*, 113(3), 1998, 835-867.

Symposium: Discrimination in Product, Credit and Labor Markets, *Journal of Economic Perspectives*, 12(2), Spring 1998.

Hamermesh, Daniel and Jeff Biddle, "Beauty and the Labor Market," *American Economic Review*, 84(5), 1994, 1174-1194.

\*Farber, Henry and Robert Gibbons, "Learning and Wage Dynamics," *Quarterly Journal of Economics*, 111(4), 1996, 1007 – 1047.

\*Altonji, Joseph and Charles Pierret, "Employer Learning and Statistical Discrimination," *Quarterly Journal of Economics*, 116(1), 2001, 313-350.