Instructor: Sergio Urzúa, E-mail: s-urzua@northwestern.edu.

Time and Location: MW 9:00 - 11:00, AAH 3204.

Office Hours: Wednesday 4:00-5:30 or by appointment.

Textbooks: There is no single textbook for this course. It is assumed that students have some familiarity with econometric techniques for analyzing microdata. The following is a list of textbooks providing a general reference for empirical methods used in this course.


Grading: There will be problem sets, and each student will have to prepare an empirical project. They will count toward the grade as follows.

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<tbody>
<tr>
<td>Problem Sets</td>
<td>50</td>
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<tr>
<td>Empirical Project</td>
<td>50</td>
</tr>
</tbody>
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Additionally, there will be reading assignments and students are expected to come to class having read recommended papers and ready to participate in discussion.

Problem Sets: Each student will have to submit individual answers which must include the codes. However, I encourage working in groups. This because by sharing ideas you will be able to learn from each other, allowing you to clarify what you get out of the lecture and reading.

Software: You can use your favorite statistical packages as long you make sure it has good optimization routines. However, be aware that I will probably ask you to code in Fortran or C. This because I want you to be exposed to parallel computing which has become a popular and powerful practice among applied economists.

Empirical Project: The purpose of the empirical project is to develop skills in understanding and communicating empirical labor economics. It is not to give you busy work or drill. Think of your project as an exercise in learning and in reporting what you have learned (and consider as a chance to start thinking about your dissertation). There is a lot of truth in the statement if you can't explain it, you don’t understand it. The ultimate test of what you write is this: can someone learn from your paper? Remember, the reader will see only what you wrote, not what you meant to say. So it must all be there, and be accurate. We will talk some about this in class.

Description of the Course

The purpose of this class is to give students the theoretical background and econometric tools to do applied labor economic research (and applied work in general). The class will highlight the importance of a good balance between theory and solid empirical work.

During the course we will cover two main topics: labor supply and human capital - as well as some additional topics. This course emphasizes the connection between theory and practice. We will focus on the econometric issues of empirical labor models including: selection bias, instrumental variables, structural vs. reduced form estimation, unobserved heterogeneity. We will also discuss the most commonly used data sets in the field of labor economics.
1. Labor Supply

(a) Background


(b) Static Models of Individual Labor Supply


(c) Intertemporal Models of Individual Labor Supply


2. Human Capital Accumulation and Earning Functions

(a) Background


(b) Earning Functions


(c) Estimating Earning Functions


(d) Labor Supply and Human Capital Accumulation