Course Syllabus

Applied microeconomics: Theory and Empirics

Academic year 2017-18

Department of Economics, European University Institute

Instructors: Michèle Belot (Michele.belot@eui.eu); Philipp Kircher (Philipp.kircher@eui.eu)

Dates: t.b.d.

Prerequisites:

1st year sequence in Microeconomics and Econometrics

Description

This course will cover frontier topics in the area of Applied Microeconomics. We will present both theoretical and empirical approaches to the topics. Roughly, we aim to highlight one empirical and one theoretical contribution to each topic (which means that only a selected set of papers from the extended reading list is covered, the remainder is for your interest and self-study). Topics are chosen to present frontier topics in the current economic debate, though they also reflect an idiosyncratic assessment of what constitutes interesting social problems. The course aims to get participants to think both about the empirical challenges associated with research on these topics, as well as to think about possible models and mechanisms underlying the phenomena we discuss. Theory and empirics are not always tightly coupled (in the sense of testing the theory, or even structural estimation). The idea is to present noteworthy highlights of the research on both dimension, though the link between them will be stressed. The hope is to inspire participants to think about both models and empirical strategy in their own future research, the combination of which seems to be valued in the profession.

Course outline

1. Sorting and marriage

    - Ken Burdett and Melvyn Coles: "Marriage and Class", Quarterly Journal of Economics, Vol 112(1), 1997, pp 131-168.

      Nicolas Jacquet and Serene Tan: "On the segmentation of markets", Journal of Political Economy, Vol 115(4), 2007, pp 639-664.

      Hector Cahde, Jan Eeckhout and Lones Smith: "Sorting through Search and Matching Models in Economics", Journal of Economic Literature, Vol 55(2), 2017, pp 493-544.

Raymond Fisman, Sheena S. Iyengar, Emir Kamenica, Itamar Simonson; Gender Differences in Mate Selection: Evidence From a Speed Dating Experiment, The Quarterly Journal of Economics, Volume 121, Issue 2, 1 May 2006, Pages 673–697

Belot, M. and Francesconi. M. (2013), Dating Preferences and Meeting Opportunities in Mate Choice Decisions, *Journal of Human Resources 48(2),* 478-508.

2. Discrimination (statistical, preferences, implicit)

Stephen Coate and Glenn Loury: " Will affirmative action policies eliminate negative stereotypes?" American Economic Review, Vol 83(5), 1993, pp 1220–1140.

George Mailath, Larry Samuelson and Avner Shaked: "Endogeneous Inequality in Integrated Labor Markets with Two-Sided Search", American Economic Review, Vol 90, 2000, pp 46-72.

Kevin Lang, Michael Manove and William Dickens: "Racial Discrimination in Labor Markets with Posted Wage Offers", American Economic Review, Vol 95(4), 1327-1340.

Hanming Fang and Shamena Anwar: "An Alternative Test of Racial Prejudice in Motor Vehicle Searches: Theory and Evidence", American Economic Review, Vol 96(1), 2006, pp 127-151.

Bertrand, Marianne, and Sendhil Mullainathan. 2004. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." American Economic Review, 94(4): 991-1013.

Neumark, D. (2016), Experimental Research on Labor Market Discrimination, NBER WP 22022

Mobius, Markus, M., and Tanya S. Rosenblat. 2006. "Why Beauty Matters." American Economic Review, 96(1): 222-235.

Bertrand, Marianne, Dolly Chugh, and Sendhil Mullainathan. 2005. "Implicit Discrimination." American Economic Review, 95(2): 94-98.

3. Club Goods and Economics of Religion

Iannacconne L.R. Sacrifice and Stigma: Reducing Free-Riding in Cults, Communes, and Other Collectives, *Journal of Political Economy*, 1992, vol. 100 (pg. 271-291).

Hanming Fang: “Social Culture and Economic Performance”, American Economic Review, Vol 91(4), 2001, pp 924-937.

Jason A. Aimone, Laurence R. Iannaccone, Michael D. Makowsky, Jared Rubin; Endogenous Group Formation via Unproductive Costs, The Review of Economic Studies, Volume 80, Issue 4, 1 October 2013, Pages 1215–1236

M. McBride, 2015, “Why Churches Need Free-riders: Religious Capital Formation and Religious Group Survival,” Journal of Behavioral and Experimental Economics 58: 77-87

4. Technological change, growth, and inequality

Goos, Maarten, Alan Manning, and Anna Salomons. 2014. "Explaining Job Polarization: Routine-Biased Technological Change and Offshoring." American Economic Review, 104(8): 2509-26.

Moretti, Enrico. 2013. "Real Wage Inequality." American Economic Journal: Applied Economics, 5(1): 65-103.

Gene Grossman and Elhanan Helpman: “Growth, Trade and Inequality”, Econometrica, forthcoming.

5. Standards of living and Welfare

Steckel R.H., 2008, Biological measures of the Standard of Living, *Journal of Economic Perspectives*

Neighborhood Effects on the Long-Term Well-Being of Low-Income Adults

Aghion, Philippe, Ufuk Akcigit, Angus Deaton, and Alexandra Roulet. 2016. "Creative Destruction and Subjective Well-Being." American Economic Review, 106(12): 3869-97.

Marc Fleurbaey and Koichi Tadenuma (2014): “Universal Social Orderings: An Integrated Theory of Policy Evaluation, Inter-Society Comparisons and Interpersonal Comparisons”, Review of Economic Studies, Vol 81(3), pp. 1071-1101.

6. Status

Hal Cole, George Mailath and Andrew Postelwaite: “Social Norms, Savings Behavior and Growth”, Journal of Political Economy, Vol 100, 1992, pp 439-443.

Larry Samuelson: “Information-Based Relative Consumption Effects,” Econometrica 72 (2004), 93-118. (see also "Information-Based Relative Consumption Effects: Correction (with Georg Noldeke), Econometrica 73 (2005), 1383-1387.)

Heffetz, O. and R.H. Frank, Preferences for Status: Evidence and Economic Implications, Chapter 3 in Handbook for Social Economics

Daly, M., D.J. Wilson and N.J. Johnson (2013), Relative Status and Well-Being: Evidence from U.S. Suicide Deaths, The Review of Economics and Statistics 95:5, 1480-1500

Kerwin Kofi Charles, Erik Hurst, Nikolai Roussanov; Conspicuous Consumption and Race, The Quarterly Journal of Economics, Volume 124, Issue 2, 1 May 2009, Pages 425–467

7. Poverty and bounded rationality

- Andrea Wilson (2014): "Bounded Memory and Biases in Information Processing", Econometrica, Vol 82(6), pp. 2257-2294.
- Olivier Compte and Andrew Postelwaite: "Belief Formation", 2012, working paper.
- Ariel Rubinstein: Modelling Bounded Rationality, MIT Press, Cambridge, MA, 1998.
- Mullainthan, S. and E. Shafir (2013), Scarcity: Why Having Too Little Means So Much, Times Books.
- Mani, Mullainathan, Shafir and Zhao (2013), Poverty Impedes Cognitive Function, *Science*, Volume 341