

University of California- Santa Barbara  
**Economics 250A: Graduate Labor Economics 1**  
Syllabus

This course provides an introduction to the basic research questions in labor economics at the graduate level. Meetings consist of a combination of lectures and student presentations. Almost all the readings are available in major journals, most of which are available at [http://ucelinks.cdlib.org:8888/sfx\\_ucsb/a-z/default](http://ucelinks.cdlib.org:8888/sfx_ucsb/a-z/default). NBER working papers are available at [www.nber.org](http://www.nber.org). To access both of these electronic resources you will need to be on campus, or to configure your home computer to use the library's proxy server (for instructions see <http://www.library.ucsb.edu/proxy/faq.html>). A few harder-to-find readings are accessible directly from this syllabus via the [document](#) links. Please contact me if you have trouble finding any reading.

**EVALUATION** in the course will have three components:

**1. Reports and Presentations on Individual Journal Articles (30%).** During the quarter you will be asked to present a number of journal articles to the class; articles that I am interested in having presented this year are indicated by the “▶” symbol in the syllabus. **One week** after your presentation, your written report based on the article is due in my office. Your article report (and your class presentation) should contain:

- a concise statement of the author's main *goals* in writing the paper
- a brief summary of *how* the author goes about achieving those goals (methods, data, etc.)
- a list of *critiques, praise, or questions* you have regarding the adequacy of the methodology
- the *bottom line*: are you convinced that the author has achieved his/her goals? Why or why not?

In sum, article reports are like the referee reports you will write one day for journal editors to assess the publishability of your colleagues' research. I will distribute some sample referee reports I have written (anonymized to protect the authors' identities) to give you an idea of what these look like. Please note: referee reports are typically one to three pages single-spaced but that does not mean they are not the result of a great deal of thought. I will accept slightly longer reports from you: up to **eight pages, double-spaced** but no more please. **Please double-space** them so I can write comments/editing suggestions on them more easily.

For the term, you will owe me **two** article reports, each of which contributes 15 points toward your final grade in the course. This is divided equally between the clarity of your in-class presentation, and the quality of the written report (which includes style/grammar as well as substance). If for some reason (class size or scheduling) you do fewer than two in-class presentations, you may select any article from the reading list and do a report on it. These reports are due in my office one week after the last day of class, **i.e. by noon, Thursday March 22**. In that case your entire mark will be based on the quality of the written report. If you do more than two in-class presentations, your two best article reports will determine your grade.

**2. Survey paper and presentation (40%).** Starting about halfway through the quarter, each student will take charge of the class's discussion of an entire research topic. Preparing for this will involve reading a number of papers on that topic, choosing a subset of papers that the whole class will be asked to read in preparation for class, presenting your own summary of the literature, and co-ordinating class discussion. At the end of the quarter (again, by **noon, Thursday March 22**) you will turn in a critical literature review paper covering this entire research topic. It will include not only a synthetic discussion of what is currently known about this topic, but a discussion of how the state of knowledge could be advanced by research in the future. At the bottom of this reading list I list several suggested topics that would work well for such a paper (I am happy to entertain others if you approach me about them). In most cases it should be quite clear which section of the reading list is involved; in addition you should do a literature search using [EconLit](#) and [Web of Science](#), among other tools. (**See the final page of this syllabus for search tips**). We will schedule precise dates for each student's class leadership later in the quarter. Because this is a big job, I recommend that you choose a topic and start reading the papers associated with that topic **as early as possible in the quarter**. Again, please double-space the paper. The references should be in **AER format**.

**3. Take Home Final (30%).** During the quarter a number of simple theoretical models will be presented. Experience shows that students don't really understand these models unless they actually work with them on their

own. Thus, to help you understand the models I will periodically distribute practice problems. These will not be handed in or graded, but I will post answers to them and you should compare your answers to mine carefully. In our last class (on **Thursday, March 15**) I will distribute a take-home final containing questions very similar to the practice problems. You will have until **3:00 pm on Friday March 16** to work out and write up the answers to these problems. During this period you are free to consult any sources you wish, and to consult with your fellow students. However each student must write up and hand in his/her own version of their answers and will be graded individually.

**TOPICS AND READINGS** are summarized below. I do not expect you to read every one of these articles. Instead I will indicate which articles will be covered in class (including those to be presented by students) a week or so ahead of time; it is important that *all* students read these ahead of time. The remaining articles are provided as an introduction to a vast literature we can't possibly cover completely, and to assist you in future research including your thesis. Finally, students who have not taken any undergraduate labor economics will benefit, from time to time, from a peek at the relevant sections of any undergraduate labor economics textbook. For your convenience, I indicate the relevant sections of Borjas, G., *Labor Economics*, 4<sup>th</sup> edition (Boston: McGraw-Hill Irwin), 2008 in what follows.

## A. LABOR SUPPLY

### 1. Static Labor Supply Models

#### a) Unitary Models: Theory and Estimates

for undergrad-level background, see Borjas, chapter 2.

Ashenfelter, O. and J. Heckman, "The Estimation of Income and Substitution Effects in a Model of Family Labor Supply," *Econometrica*, January 1974.

Heckman, James., "Shadow Prices, Market Wages, and Labor Supply," *Econometrica*, July 1974.

Borjas, G. "The Relationship between Wages and Weekly Hours of Work: The Role of Division Bias". *Journal of Human Resources* 15(3) (1980): 409-423.

Battalio, R., L. Green and H. Kagel, "Income-Leisure Tradeoffs of Animal Workers" *American Economic Review* 71 (4) (September 1981): 621-632.

Lundberg, Shelly (1988), "Labor Supply of Husbands and Wives", *Review of Economics and Statistics*, 70, 224–235.

Kahn, Shulamit, and Kevin Lang. "The Effect of Hours Constraints on Labor Supply Estimates" *Review of Economics and Statistics*. November 1991; 73(4): 605-11

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

Blundell, R. W. and T. MaCurdy (1999), "Labor Supply: A Review of Alternative Approaches", *Handbook of Labor Economics*, 3, 1560–1695.

#### b) Non-Unitary Models of the Household: Theory

Chiappori, P.-A. (1988), "Rational Household Labor Supply", *Econometrica*, 56, 63–89.

Chiappori, P.-A. (1992), "Collective Labor Supply and Welfare", *Journal of Political Economy*, 100, 437–467.

Lundberg, Shelly and Robert A. Pollak "Separate Spheres Bargaining and the Marriage Market" *Journal of Political Economy*, vol. 101, no. 6, December 1993, pp. 988-1010

Chiappori, P.-A. (1997), "Introducing Household Production in Collective Models of Labor Supply", *Journal of Political Economy*, 105, 191–209.

Zhang, Junsen. and K. Fong. (2001), "The Identification of Unobservable Independent and Spousal Leisure", *Journal of Political Economy*, 109, 191–202.

Blundell, R., P.-A. Chiappori, and C. Meghir, "Collective Labor Supply with Children". *Journal of Political Economy*, 2005, vol. 113, no. 6

Blundell, R., P.-A. Chiappori, T. Magnac, and C. Meghir. "Collective Labour Supply: Heterogeneity and Non-participation" *Review of Economic Studies*. April 2007; 74(2): 417-45

Browning, Martin; Chiappori, Pierre-Andre; Lechene, Valerie "Distributional Effects in Household Models: Separate Spheres and Income Pooling" *Economic Journal*, vol. 120, no. 545, June 2010, pp. 786-99

#### c) Non-Unitary Models of the Household: Evidence

Udry, Christopher. "Gender, Agricultural Production, and the Theory of the Household" *Journal of Political Economy*. Vol. 104 (5). p 1010-46. October 1996. See also Akresh, Richard. "Understanding Pareto Inefficient Intrahousehold Allocations", IZA Discussion Paper No. 1858; November 2005.

Lundberg, Shelly J; Robert A. Pollak, and Terence J Wales. "Do Husbands and Wives Pool Their Resources? Evidence from the United Kingdom Child Benefit" *Journal of Human Resources*, vol. 32, no. 3, Summer 1997, pp. 463-80 (see also Ward-Batts, Jennifer. "Out of the Wallet and Into the Purse". *Journal of Human Resources*, Spring 2008, Vol. 43 Issue 2, p325-351, 27).

Attanasio, Orazio and Valerie Lechene. "Tests of Income Pooling in Household Decisions." *Review of Economic Dynamics*. Vol. 5 (4). p 720-48. October 2002.

Bobonis, Gustavo J. "Is the Allocation of Resources within the Household Efficient? New Evidence from a Randomized Experiment". *Journal of Political Economy*, 2009, vol. 117, no. 3

Ashraf, Nava. "Spousal Control and Intra-Household Decisionmaking: An Experimental Study in the Phillipines". *American Economic Review* 99(4) (September 2009): 1245-1277.

► Aizer, Anna. "The Gender Wage Gap and Domestic Violence", *American Economic Review* 100(4) (September 2010): 1847-1859.

## 2. Life Cycle Labor Supply

Overview:

Meghir, Costas and Luigi Pistaferri "Earnings, Consumption and Lifecycle Choices". NBER Working Paper No. 15914, April 2010 (forthcoming in Ashenfelter and Card, eds. *Handbook of Labor Economics*, volume 4. Amsterdam: North-Holland, 2010.)

#### a) Theory and Econometric Studies

for undergrad-level background, see Borjas, pages 70-78.

Heckman, J. and T. E. MaCurdy, "A Life Cycle Model of Female Labor Supply," *Review of Economic Studies*, January 1980, 47-74.

Altonji, J., "Intertemporal Substitution in Labor Supply: Evidence from Micro Data," *Journal of Political Economy*, June 1986.

Blundell, R. W. and I. Walker. (1986), "A Life Cycle Consistent Empirical Model of Labor Supply Using Cross Section Data", *Review of Economic Studies*, 53, 539-558.

Ham, J., "Testing Whether Unemployment Represents Intertemporal Labor Supply Behaviour", *Review of Economic Studies*, August 1986.

Abowd, J. M. and D. Card, "On the Covariance Structure of Earnings and Hours Changes," *Econometrica* 57, March 1989, 411-446.

Card, D., "Intertemporal Labor Supply: An Assessment," NBER Working Paper No. 3602, January 1991.

- Rogerson, Richard, and Peter Rupert. "New Estimates of Intertemporal Substitution: The Effect of Corner Solutions for Year-Round Workers" *Journal of Monetary Economics*. April 1991; 27(2): 255-69
- Rogerson, Richard, and Peter Rupert. "On Testing the Intertemporal Substitution Theory of Labor Supply" *Journal of Economic Dynamics and Control*. January-March 1993; 17(1-2): 37-50
- Carroll, Christopher D. "How Does Future Income Affect Current Consumption?" *Quarterly Journal of Economics*. Vol. 109 (1). p 111-47. February 1994.
- Carroll, Christopher D. "Buffer-Stock Saving and the Life Cycle/Permanent Income Hypothesis". *Quarterly Journal of Economics*. Vol. 112 (1). p 1-55. February 1997.
- Mulligan, C. "Substitution Over Time: Another Look at Life Cycle Labor Supply" NBER Working Paper No. W6585, May 1998
- Rupert, Peter, Richard Rogerson, and Randall Wright. "Homework in Labor Economics: Household Production and Intertemporal Substitution" *Journal of Monetary Economics*. December 2000; 46(3): 557-79
- Carroll, Christopher D. "A Theory of the Consumption Function, with and without Liquidity Constraints" *Journal of Economic Perspectives*. Vol. 15 (3). p 23-45. Summer 2001.
- Aguiar, Mark, and Erik Hurst. "Life-Cycle Prices and Production" *American Economic Review* 97(5) (December 2007): 1533-1559.
- Rogerson, Richard, and Johanna Wallenius. "Micro and Macro Elasticities in a Life Cycle Model With Taxes" NBER Working Papers: 13017, 2007.
- Card, David, Raj Chetty and Andrea Weber. "Cash-on-Hand and Competing Models of Intertemporal Behavior: New Evidence from the Labor Market" *Quarterly Journal of Economics* 122(4) (Nov 2007): 1511-1560.
- Attanasio, Orazio, Hamish Low, and Virginia Sanchez-Marcos. "Explaining Changes in Female Labor Supply in a Life-Cycle Model" *American Economic Review* 98(4) (September 2008): 1517-1552.
- Kimball, Miles S. and Matthew D. Shapiro. "Labor Supply: Are the Income and Substitution Effects Both Large or Both Small?" NBER Working Paper No. 14208 (July 2008).
- Prescott, Edward C., Richard Rogerson and Johanna Wallenius. "Lifetime Aggregate Labor Supply with Endogenous Workweek Length." *Review of Economic Dynamics*. January 2009; 12(1): 23-36
- Chetty, Raj. "Bounds on Elasticities with Optimization Frictions: A Synthesis of Micro and Macro Evidence on Labor Supply" NBER Working Paper No. 15616, December 2009.
- Koszegi, Botond, and Matthew Rabin. "Reference-Dependent Consumption Plans" *American Economic Review* 99(3) (June 2009): 909-936.
- Erosa, Andres, Luisa Fuster and Gueorgui Kambourov, "The Heterogeneity and Dynamics of Individual Labor Supply over the Life Cycle: Facts and Theory". Unpublished paper, January 2010. [document](#)
- Ljungqvist, Lars and Thomas Sargent. "Career Length: Effects of Curvature of Earnings Profiles, Earnings Shocks, and Social Security" unpublished paper, May 2010. [document](#)
- Chetty, Raj, John N. Friedman, Tore Olsen, and Luigi Pistaferri. "Adjustment Costs, Firm Responses, and Micro vs. Macro Labor Supply Elasticities: Evidence from Danish Tax Records" *The Quarterly Journal of Economics* (2011) 126(2): 749-804

#### b) Experiments and Case Studies

- Camerer, Colin, Linda Babcock, George Loewenstein, and Richard Thaler. 1997. "Labor Supply of New York City Cabdrivers: One Day at a Time." *Quarterly Journal of Economics* 112 (May): 407-41.
- Imbens, G., D. Rubin, and B. Sacerdote, "Estimating the Effect of Unearned Income on Labor Earnings, Savings and Consumption: Evidence from a Survey of Lottery Players" *American Economic Review* 91(4)(September 2001): 778-794.

- Farber, Henry S. "Is Tomorrow Another Day? The Labor Supply of New York City Cabdrivers" *Journal of Political Economy* Volume 113, Number 1, February 2005
- Farber, Henry S. "Reference-Dependent Preferences and Labor Supply: The Case of New York City Taxi Drivers" *American Economic Review* 98(3) (June 2008): 1069-1082.
- Crawford, Vince and Juanjuan Meng. "New York City Cabdrivers Labor Supply Revisited: Reference-Dependent Preferences with Rational-Expectations Targets for Hours and Income". *American Economic Review*, August 2011.
- Fehr, Ernst and Lorenz Goette. "Do Workers Work More if Wages are High? Evidence from a Randomized Field Experiment" *American Economic Review* 97(1) (March 2007): 298-317.
- Fuchs-Schundeln, Nicola. "The Response of Household Saving to the Large Shock of German Reunification". *American Economic Review* 98(5) (December 2008): 1798-1828.
- Brown, Alexander, Eric Chua Zhikang, and Colin F. Camerer. "Learning and Visceral Temptation in Dynamic Saving Experiments" *Quarterly Journal of Economics* 124(1) (February 2009): 197-231.
- Kuhn, Peter, Peter Kooreman, Adriaan R. Soetevent, and Arie Kapteyn. "The Own and Social Effects of an Unexpected Income Shock: Evidence from the Dutch Postcode Lottery" *American Economic Review* 101 (5) (August 2011). pp 2226-2247

### c. Labor Supply of Salaried Workers

- Bell, Linda A. and Richard B. Freeman, "The incentive for working hard: explaining hours worked differences in the US and Germany," *Labour Economics*, May 2001, 8 (2), 181-202.
- Kuhn, Peter and Fernando Lozano, "The Expanding Workweek? Understanding Trends in Long Work Hours among U.S. Men, 1979-2006," *Journal of Labor Economics* 26(2) (2008), 311-343.
- Gicheva, Dora. "Working Long Hours and Early Career Outcomes in the High-End Labor Market" unpublished paper, UNC-Greensboro, 2011.

## 3. Labor Supply within the Firm: Principal-Agent Models and Personnel Economics

Overviews:

- Gibbons, R. "Incentives in Organizations" *Journal of Economic Perspectives* 12 (Fall 1998): 115-132.
- Prendergast, C. "The Provision of Incentives in Firms". *Journal of Economic Literature* 37 (March 1999): 7-63.
- Lazear, E. and M. Gibbs. *Personnel Economics in Practice, 2<sup>nd</sup> edition*. Hoboken, N.J: John Wiley and Sons, 2009.
- Lazear, E. and K. Shaw, "Personnel Economics: The Economist's View of Human Resources" *Journal of Economic Perspectives* 21(4) (Fall 2007): 91-114.
- Kuhn, Peter and Gary Charness. "Lab Labor: What Can Labor Economists Learn from the Lab?" NBER Working Paper No. 15913, April 2010 (forthcoming in Ashenfelter and Card, eds. *Handbook of Labor Economics*, volume 4. Amsterdam: North-Holland, 2010.)

### a. The Basic Moral Hazard Problem and the Economics of Piece Rates

- Harris, M. and A. Raviv, "Some Results on Incentive Contracts with Applications to Education and Employment, Health Insurance and Law Enforcement", *American Economic Review*, March 1978.
- Holmstrom, B. "Moral Hazard and Observability", *Bell Journal of Economics*, Spring 1979.
- Dickinson, David L. An Experimental Examination of Labor Supply and Work Intensities, *Journal of Labor Economics*, 1999, vol. 17, no. 4
- Lazear, E. "Performance Pay and Productivity" *American Economic Review* 90(5) (December 2000): 1346-1361.

- Gneezy, U. and A. Rustichini, "Pay Enough or Don't Pay at All". *Quarterly Journal of Economics* 115(3) (August 2000): 791-810.
- Falk, Armin and Michael Kosfeld. "The Hidden Costs of Control" *American Economic Review*, Vol. 96, No. 5 (Dec. 2006), pp. 1611-1630.
- Ariely, Dan; Kamenica, Emir; Prelec, Drazen. "Man's Search for Meaning: The Case of Legos" *Journal of Economic Behavior and Organization*, vol. 67, no. 3-4, September 2008, pp. 671-77
- Apestequia, Jose and Ignacio Palacios-Huerta. "Psychological Pressure in Competitive Environments: Evidence from a Randomized Natural Experiment" *American Economic Review*, vol. 100, no. 5, December 2010, pp. 2548-64
- Ariely, Dan; Gneezy, Uri; Loewenstein, George; Mazar, Nina. "Large Stakes and Big Mistakes" *Review of Economic Studies*, vol. 76, no. 2, April 2009, pp. 451-69
- List, John A. and Tanjim Hossain. "The Behaviorist Visits the Factory: Increasing Productivity Using Simple Framing Manipulations" NBER Working Paper No. 15623, December 2009
- Muralidharan, Karthik, and Venkatesh Sundararaman, "Teacher Performance Pay: Experimental Evidence from India" *Journal of Political Economy*, vol. 119, no. 1, February 2011, pp. 39-77

*c. The Threat of Job Loss as a Work Incentive: Efficiency Wages and Deferred Compensation*

- Shapiro, Carl and Joseph E. Stiglitz, "Equilibrium Unemployment as a Worker Discipline Device". *American Economic Review*, vol. 74, no. 3, June 1984, pp. 433-44 (see also the comments and replies in the Sept and Dec 1985 issues)
- Raff, Daniel M. G. and Lawrence H. Summers. "Did Henry Ford Pay Efficiency Wages?" *Journal of Labor Economics*, Vol. 5, No. 4, Part 2 (Oct., 1987), pp. S57-S86
- Cappelli, Peter and Keith Chauvin, "An Interplant Test of the Efficiency Wage Hypothesis" *Quarterly Journal of Economics* August 1991; 106(3): 769-87
- Fehr, Ernst; Kirchsteiger, Georg; Riedl, Arno "Involuntary unemployment and non-compensating wage differentials in an experimental labour market" *Economic Journal*, Jan96, Vol. 106 Issue 434, p106-121
- Ichino, Andrea, and Giovanni Maggi. "Work Environment and Individual Background: Explaining Regional Shirking Differentials in a Large Italian Firm." *Quarterly Journal of Economics* 115, no. 3 (2000): 1057-1090
- Lazear, Edward P. "Why Is There Mandatory Retirement?" *Journal of Political Economy*, vol. 87, no. 6, December 1979, pp. 1261-84
- Lazear, Edward P. "Agency, Earnings Profiles, Productivity, and Hours Restrictions" *American Economic Review*, vol. 71, no. 4, September 1981, pp. 606-20
- Medoff, James L; Abraham, Katharine G. "Experience, Performance, and Earnings" *Quarterly Journal of Economics*, vol. 95, no. 4, December 1980, pp. 703-36
- Kotlikoff, Laurence J; Gokhale, Jagadeesh. "Estimating a Firm's Age-Productivity Profile Using the Present Value of Workers' Earnings" *Quarterly Journal of Economics*, vol. 107, no. 4, November 1992, pp. 1215-42
- Guiso, Luigi, Luigi Pistaferri, and Fabiano Schivardi. "Credit within the Firm" NBER working paper no. 15924 (April 2010).

*c. Incentives with Multiple Workers—Peer Effects*

- Falk, A. and A. Ichino. "Clean Evidence on Peer Effects" *Journal of Labor Economics* 24(1) (January 2006): 39-57
- Mas, A. and E. Moretti. "Peers at Work" *American Economic Review* 99(1) (March 2009): 112-143.
- Akerlof, George A. and Rachel Kranton. "Identity and the Economics of Organizations". *Journal of Economic Perspectives* 19(1) (Winter 2005): 9-32.

- Akerlof, George A; and Rachel E. Kranton. "Identity, Supervision, and Work Groups" *American Economic Review*, vol. 98, no. 2, May 2008, pp. 212-17
- Barankay, Iwan, and Oriana Bandiera and Imran Rasul . "Social Connections and Incentives in the Workplace: Evidence from Personnel Data" *Econometrica*, vol. 77, no. 4, July 2009, pp. 1047-94
- Barankay, Iwan, and Oriana Bandiera and Imran Rasul. "Social Incentives in the Workplace", *Review of Economic Studies*, vol. 77, no. 2, April 2010, pp. 417-58

*d. Multiple Workers-- Tournaments*

- Lazear, E. and S. Rosen, "Rank-Order Tournaments as Optimum Labor Contracts", *Journal of Political Economy*, Oct. 1981.
- Knoeber, Charles R. "A Real Game of Chicken: Contracts, Tournaments, and the Production of Broilers". *Journal of Law, Economics and Organization* 5(2) (Fall 1989): 271-92.
- Schotter and Weigelt, "Asymmetric Tournaments, Equal Opportunity Laws, and Affirmative Action: some experimental results", *Quarterly Journal of Economics*, May 1992.
- Carpenter, Jeffrey, Peter Matthews and John Schirm. "Tournaments and Office Politics: Evidence from a real effort experiment" *American Economic Review* vol. 100, no. 1, March 2010, pp. 504-17
- Barankay, Iwan, Oriana Bandiera and Imran Rasul. "Social Preferences and the Response to Incentives: Evidence from Personnel Data" *Quarterly Journal of Economics*. August 2005; 120(3): 917-62

*e. Multiple Workers-- Teams*

- Holmstrom, B. "Moral Hazard in Teams", *Bell Journal of Economics*, Autumn 1982.
- Nalbantian, H. and A. Schotter, "Productivity Under Group Incentives: An Experimental Study". *American Economic Review* 87 (3) (1997): 314-41.
- Knez, M. and D. Simester "Firm-Wide Incentives and Mutual Monitoring at Continental Airlines". *Journal of Labor Economics* 19(4) (October 2001): 743-772.
- Fehr, Ernst and Simon Gächter. "Altruistic Punishment in Humans" *Nature* 415 (January 2002): 137-140.
- Hamilton, B., J. Nickerson, and H. Owan, "Team Incentives and Worker Heterogeneity: An Empirical Analysis of the Impact of Teams on Productivity and Participation". *Journal of Political Economy* 111(3) (June 2003): 465-497.
- Falk, Armin, Ernst Fehr and Urs Fischbacher. "Driving Forces behind Informal Sanctions" *Econometrica*, Vol. 73, No. 6 (November, 2005), 2017–2030
- Boning, Brent, Casey Ichniowski, and Kathryn Shaw "Opportunity Counts: Teams and the Effectiveness of Production Incentives" *Journal of Labor Economics*. October 2007; 25(4): 613-50
- Barankay, Iwan, and Oriana Bandiera and Imran Rasul ."Team Incentives: Evidence from a Field Experiment", unpublished paper, Wharton School. [document](#)
- Georg, Sebastian, Sebastian Kube and Ro'i Zultan "Treating Equals Unequally: Incentives in Teams, Workers' Motivation and Production Technology" IZA discussion paper No. 3959, January 2009

*f. Multiple Tasks*

- Holmstrom, B. and P. Milgrom, "Multi-Task Principal-Agent Problems: Incentive Contracts, Asset Ownership, and Job Design", *Journal of Law, Economics and Organization* 7 (Special issue, 1991): 24-52.
- Brickley, James A; Zimmerman, Jerold L. "Changing Incentives in a Multitask Environment: Evidence from a Top-Tier Business School" *Journal of Corporate Finance*, vol. 7, no. 4, December 2001, pp. 367-96
- Fehr, Ernst, and Klaus M. Schmidt. "Fairness and Incentives in a Multi-Task Principal-Agent Model" *Scandinavian Journal of Economics* 106(3), 453–474, 2004

Griffith, Rachel; Neely, Andrew. "Performance Pay and Managerial Experience in Multitask Teams: Evidence from within a Firm" *Journal of Labor Economics*, vol. 27, no. 1, January 2009, pp. 49-82

► Kapoor, Sacha. "Incentive Provision in Multitask Jobs: Experimental Evidence from the Workplace" unpublished paper, University of Toronto, November 2010. [document](#)

Oosterbeek, Hessel, Randolph Sloof, and Joep Sonnemans,-Joep. "Rent-seeking versus Productive Activities in a Multi-task Experiment" *European Economic Review*, vol. 55, no. 5, June 2011, pp. 630-43

#### *g. Repeated Interactions-- Career Concerns*

Akerlof, George A. "The Economics of Caste and of the Rat Race and Other Woeful Tales" *Quarterly Journal of Economics*, vol. 90, no. 4, November 1976, pp. 599-617

Fama, Eugene F. "Agency Problems and the Theory of the Firm", *Journal of Political Economy*, vol. 88, no. 2, April 1980, pp. 288-307

Gibbons, R. and K. J. Murphy. "Optimal Incentive Contracts in the Presence of Career Concerns: Theory and Evidence". *Journal of Political Economy* 100(3) (June 1992): 468-505.

Landers, Renee M; Rebitzer, James B; Taylor, Lowell J "Rat Race Redux: Adverse Selection in the Determination of Work Hours in Law Firms" *American Economic Review*, vol. 86, no. 3, June 1996, pp. 329-48

Chevalier, Judith and Glenn Ellison. "Career Concerns of Mutual Fund Managers" *Quarterly Journal of Economics*. Vol. 114 (2). p 389-432. May 1999.

#### *h. Repeated Interactions—Ratchet Effects*

Mathewson, S. *Restriction of Output among Unorganized Workers*, New York, Viking Press (1931) chapter 3

Gibbons, R. "Piece Rate Incentive Schemes", *Journal of Labor Economics*, Oct. 1987.

Carmichael, L. and W. B. MacLeod, "Worker Cooperation and the Ratchet Effect" *Journal of Labor Economics* 18 (January 2000): 1-19.

Charness, Gary, Peter Kuhn and Marie-Claire Villeval, "Competition and the Ratchet Effect", *Journal of Labor Economics* 29(3) (July 2011): 513-47

Levenson, Alec, Cindy Zoghi, Michael Gibbs, and George Benson. "Optimizing Incentive Plan Design: A Case Study" IZA discussion paper no. 5985 (September 2011).

#### *i. Which Incentives When?*

Lazear, Edward P. "Salaries and Piece Rates" *Journal of Business*, vol. 59, no. 3, July 1986, pp. 405-31

Brown, Charles. "Firms' Choice of Method of Pay" *Industrial and Labor Relations Review* 43 (1990): 165S-182S.

MacLeod, W Bentley and Danel Parent. "Job Characteristics and the Form of Compensation" *Research in labor economics*. Volume 18. 1999, pp. 177-242

Helper, Susan, Morris M. Kleiner, and Yingchun Wang. "Analyzing Compensation Methods in Manufacturing: Piece Rates, Time Rates, or Gain-Sharing?" NBER working paper no. 16540, November 2010.

#### *j. Executive Compensation*

Bertrand, M. and S. Mullainathan, "Are CEO's Rewarded for Luck? The Ones without Principals Are" *Quarterly Journal of Economics* 116 (3) (August 2001): 901-932.

- Cassidy, John. "The Greed Cycle: How the Financial System Encouraged Corporations to Go Crazy". *The New Yorker*, Sept 23, 2002. 64-77.
- Bertrand, M. and S. Mullainathan, "Enjoying the Quiet Life" Corporate Governance and Managerial Preferences". *Journal of Political Economy* 111(5) (October 2003): 1043-1075.
- Malmendier, U. and G. Tate. "Superstar CEOs" *Quarterly Journal of Economics* 124(4) (November) 2009: 1593-1638.
- Frydman, Carola, and Dirk Jenter. "CEO Compensation". NBER working paper no. 16585 (December 2010).

#### 4. Reciprocity and Gift Exchange

- Overview:* Fehr, Ernst, Lorenz Goette, and Christian Zehnder. "A Behavioral Account of the Labor Market: The Role of Fairness Concerns" forthcoming in: *Annual Review of Economics* 2009.
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### Suggested Literature Review Topics

*(not an exhaustive list: please feel free to propose other topics, BUT:  
BE SURE TO CHOOSE A TOPIC EARLY IN THE QUARTER)*

1. What, if anything, do "non-unitary" models of household behavior add to our understanding of households' labor supply and consumption decisions?
2. Is the life cycle labor supply model a useful description of how work behavior varies from year to year and over the lifetime within U.S. households?
3. Is the day-to-day labor supply behavior of taxi drivers consistent with the intertemporal labor supply model?
4. Does raising work incentives inside the firm always yield better worker performance? Why or why not?
5. Review the theoretical and empirical literature on pay for relative performance (tournaments). What are the main advantages and disadvantages of this compensation method?
6. Review the theoretical and empirical literature on team incentives.
7. Review the literature on efficiency wages. In your assessment which of the two main models (Shapiro and Stiglitz's 'shirking' model, or Akerlof's 'fairness' model) has the strongest empirical support?

8. What has happened to the total amount of work or leisure consumed by Americans over the last 50 years? What explains this?
9. Why do Americans work more than Europeans?
10. Why do American women work more than they used to? Why do American men work less?
11. Do high taxes reduce labor supply?
12. Did U.S. welfare reform reduce welfare dependence? How has it affected poverty among welfare parents and the well being of their children?
13. Do firms insure workers against economic shocks?
14. What share of U.S. wage inequality is explained by search frictions?
15. How do minimum wage laws affect the distribution of wages, the number of jobs, worker incomes and poverty?
16. Do mandated limits on worker overtime create jobs for other workers?
17. What do unions do (to wages, employment, job quality, productivity, and economic efficiency?)
18. Has the Americans with Disabilities Act hurt or helped disabled Americans?
19. What are the effects of strong employment protection laws (EPLs) on worker turnover, sectoral reallocation, unemployment rates, and other outcomes?
20. What is the (statistical) value of a human life, and can it be accurately inferred from the study of labor markets?
21. How does employee health insurance interact with labor markets? Does it cause “job lock”? Given what we know about health insurance and the labor market, how would a move to national health insurance affect labor markets?
22. What is the causal effect of education on earnings? Does it differ for different people? How?
23. How much of a typical U.S. worker’s human capital is firm specific? Industry specific? Occupation specific? Why does it matter?
24. Theoretically, how can labor economists model a promotion? Review and contrast some of the main models of workers’ careers, and the empirical evidence relevant to these models.
25. How important is employer learning about workers’ abilities in explaining why wages of a cohort diverge as the cohort ages?
26. What are the short-and long-term consequences of displacement in the U.S. labor market and how to these compare to other countries?
27. How long (in years or generations) does it take immigrants to the U.S. to “catch up” to native-born workers’ wages? Does it depend on the immigrant’s characteristics, and has it changed over the past several decades?
28. Are there differences in assimilation rates for male versus female immigrants? What explains these differences?
29. Are recent immigrants to the U.S. less “able” than earlier cohorts? Should we care?
30. What explains the wage gap between black and white Americans?
31. Why do Hispanic Americans earn lower wages?
32. What are the costs and benefits of Affirmative Action for racial minorities?
33. What explains the gender wage gap in the U.S., and its recent narrowing?
34. Are different elasticities of labor supply to the firm an important explanation of the gender wage gap?
35. What light, if any, can laboratory and field experiments shed on the source of the gender wage gap in the United States?
36. What is known about the labor market effects of sexual orientation?

37. What are the costs and benefits of mandated family leave policy?
38. Contrast ‘tastes’ versus ‘statistical’ models of discrimination. What is the effect of labor- and product-market competition on the prevalence of discrimination in the two types of models?
39. Why do good-looking people earn higher wages?
40. Why do bigger firms pay higher wages?
41. True or False: “In order to get ahead in the U.S. labor market, it is important to change jobs frequently, always moving on to better opportunities and leaving other jobs behind”.
42. What are the effects of noncognitive skills, such as leadership ability and social skills, on labor market success?
43. Why do tall people earn higher wages?
44. Why has wage inequality in the United States increased over the past several decades?
45. Has job security and/or the practice of lifetime employment declined in the United States? How does the U.S. compare with other countries in this area?
46. What has happened to pension coverage among U.S. workers? Has the main type of pension changed, and why?
47. What has happened to the share of U.S. workers who belong to unions? Why?
48. How does immigration affect the wages of U.S.-born workers?
49. How has increased international trade and foreign competition affected the wages of U.S. workers?
50. How has outsourcing affected U.S. workers?
51. How has technological progress—in particular, the diffusion of computer and internet technology—affected U.S. workers’ wages? Which types of U.S. workers benefit from technological innovation, and which are hurt by it?
52. How has deregulation of industries affected the wage structure?
53. Why do married men earn higher wages than single men?
54. Why is the gender wage gap higher in the United States than in Europe, while the gender gap in labor force participation is smaller?
55. Why are U.S. women better-educated than U.S. men?

### SOME TIPS ON FINDING ECONOMICS ARTICLES FOR YOUR LITERATURE REVIEW:

If you have a relatively complete reference, you can access almost any published article by finding the journal through the [UCSB Library's list of on-line journals](#).

To search for economics articles by topic, keyword, author, title, and lots of other options, use [EconLit](#).

Some of the best, recent research (especially on applied as opposed to theoretical topics), search the [NBER working papers](#).

For recent working papers specifically in labor economics, check out the [IZA working papers](#). (It does not appear to be possible to link directly to the working papers section of this site; you need to click thru the "publications", then "discussion paper series" links).

If you have found an interesting article and want to see what has been written that's closely related to that article since it was published (**this is especially important to do for any article published more than 2 or 3 years ago!**), you should follow the citation trails using the [Web of Science](#). In Web of Science, first find the article using the info you have. To see other articles that have cited this one, click "create citation report", then "view citing articles", look at these, and on you can go.....

If any of the above links do not work for you, try the following:

-try accessing them from a computer on campus, or by configuring your home computer for [off-campus access](#). (This is required because the university pays licence fees to use most of the above databases; they are not available to the general public).

-try accessing them through the UCSB library's site. For example, you can reach EconLit and Web of Science from the [main library site](#) via "Article Databases", then scroll down to either "EconLit" or "Web of Science". The list of Electronic Journals is directly accessible from the main library site.

Another really useful source for synthetic literature reviews is the *Handbook of Labor Economics*. Earlier editions are also useful, but here are links to the most recent volume:

[Volume 4A](#)

[Volume 4B](#)

The *Journal of Economic Literature* and *Journal of Economic Perspectives* also publish literature reviews which can provide useful guides to the state of knowledge on specific topics.