This course is the second part of a three part sequence designed to acquaint students with basic tools for research in empirical economics. The focus in this course is on microeconomics and the evaluation of microeconomic social programs.

This course is organized around discussions of important problems in economic policy. Samples of topics to be discussed this year include: What are the effects of education and training programs on earnings? Are training subsidies justified? Is labor supply inelastic with respect to tax and transfer policies? What is the economic return to education? Do educational policies of communities explain wages? How does unemployment respond to unemployment insurance benefit structures? Does parental background explain ability? Does ability explain wages and wage differentials? Discussions will be partly organized around Herrnstein and Murray's book - The Bell Curve. Students are required to write a paper on a topic in the original empirical section of the book. This paper is due on Feb. 23, which is the last scheduled lecture. (Problem sessions will continue until the end of the quarter).

Students will be expected to master both the economics and the econometrics relevant to resolving these issues and gain familiarity with the quality of the data sources required to answer these questions in an honest and rigorous fashion. Toward this end, students are expected to work through three problem sets which will partly motivate the discussion in class. There will also be a final exam, and the afore-mentioned paper. As previously advertised, authors of the top two papers will be excused from the final and given an A for the course.

In terms of econometric content, students will be exposed to (a) models for discrete choice and self-selection (b) latent variable models for panel data and (c) models for duration data. A basic tool will be likelihood-based inference. There will be discussion of the merits of social experimentation and general discussions of the general evaluation problem.

Note that I hope to schedule the course so it meets for 1 hour and 40 minutes each lecture. This way, the course ends after 8 weeks. (Room will be announced later). Lecture notes will be available for sale at SS101.
I. The Policy Evaluation Problem: Constructing Counterfactuals


II. Background Lectures on Self-selection, Discrete choice and Maximum Likelihood Estimation


Domenich, T. and McFadden, D., Urban Travel Demand, North-Holland, 1975, Chapters 3,4,5.

Greenberg, E. and C. Webster, Chapter 1, Advanced Econometrics: A Bridge to the Literature, Krieger, 1991.

Greene, W., Econometric Analysis, Chapter 21, MacMillian, 1990.


Amemiya, T., op. cit., Chapter 10.


Greene, W., op. cit., Chapter 21.


IV. Do Repeated Measurements Help? Panel Data Models and Repeated Cross Sections: Errors in Variables, Incidental Parameters and Fixed Effect Models


Hsiao, C., Panel Data, Chapter 1,2,3, Cambridge, 1986.

VII. Unemployment and Turnover Dynamics: Duration Models

Amemiya, T., op. cit., Chapter 11.


Heckman, J., B. Singer, and G. Tsiang, op. cit., Chapters on Duration Analysis.
