Course Outline and Annotated Reading List for Second Half of Course (Davis)

All readings can be found online. Unless otherwise noted, you should read the published version.

** = Papers considered in lectures; required reading for the course.
* = Papers treated briefly in lectures, or which are useful complements to papers covered in lectures; highly recommended readings.
No ** or * = other suggested readings if you want to explore a particular topic.

I. Using Large-Scale Longitudinal Business Databases: Selected Studies

Papers in this section use large-scale longitudinal business databases to study business dynamics, labor market flows and productivity. Papers 2, 4, 6, 7 and 9 will introduce you to several major U.S. longitudinal firm-level and establishment-level databases and a variety of research strategies to exploit these data. Section II below introduces other important longitudinal establishment-level U.S. databases. Similar datasets are increasingly available for other countries, as illustrated by papers 1, 3, 12, and 13.

I will not spend much class time on the use of longitudinal business data to study productivity. If you are interested in this important area of research, papers 2 and 14 provide excellent overviews of the relevant literature. Papers 9, 10 and 12 are important contributions to this area of research.

3. *Boucly, Quentin, David Sraer and David Thesma, 2011. “Growth LBOs,” Journal of Financial Economics. Studies French private equity buyouts using an empirical design similar to that of “Private Equity and Employment.” Results suggest that private equity plays a rather different role in France as compared to the United States.
7. *Davis, Steven J. et al., 2009, “Measuring the Dynamics of Young and Small Businesses: Integrating the Employer and Nonemployer Universes”. In Producer

8. Davis, Steven J. and James A. Kahn “Interpreting the Great Moderation: Changes in the Volatility of Economic Activity at the Macro and Micro Levels,” Journal of Economic Perspectives, Fall 2008. Read this paper to gain an understanding of how the evidence in Davis et al. (2007) relates to the large macro literature on the Great Moderation.


Note: I will spend little time on this section in class but will post lecture notes from last year.

This section develops empirical foundations for the flow approach to labor market dynamics and theories of frictional unemployment. Some studies in this section – e.g., Job Creation and Destruction and related work reviewed in “Gross Job Flows” – mainly exploit longitudinal business databases. Other studies – e.g., Blanchard and Diamond (1989) and Elsby et al. (2009) – mainly exploit household surveys. You should first read Davis, Faberman and Haltiwanger (2006) for a gentle introduction to the literature. Then read my short piece for the NBER reporter, which ties together several papers in Sections I and II. From there, you can profitably read any of the studies listed in this section.


**Selected Micro-Oriented Analyses of Labor Market Flows**


**III. Policy Uncertainty**

This section considers a rapidly emerging literature on economic policy uncertainty. Our classroom treatment will address the measurement of economic policy uncertainty and issues that arise in evaluating the relationship of policy uncertainty to macroeconomic performance. As part of this discussion, we will introduce methods for using automated text-string searches on digital newspaper archives to construct new measures of economic policy uncertainty. Similar methods can be applied to quantify other concepts that are not well captured by traditional measures and data sources. As time permits, we will consider a few empirical studies of the relationship between policy uncertainty and economic outcomes and briefly discuss theoretical models of the mechanisms that link policy uncertainty to macroeconomic performance.

There is an older, much larger and broader literature on the economic effects of uncertainty. See Baker et al. (2012) for references to a few key articles in the broader literature. My list below includes only a few articles from the broader literature that are especially relevant to policy uncertainty.
This course will consider only a small slice of recent work that uses automated text search methods as a research tool. See the following papers to gain a fuller appreciation for how these methods can be deployed in economics research.

Selected Studies that Use Automated Text String Search Methods


IV. Displaced Workers: Earnings Losses and other Effects of Job Loss

Equilibrium search theory and competitive equilibrium theory do not offer ready explanations for the magnitude of the earnings losses and other costs that many workers experience in the wake of job loss. Empirical research on this topic goes back a long way, but the extent and quality of this work has improved greatly in recent years, largely due to the advent of large-scale longitudinal worker-employer datasets. Jacobson, Lalonde and Sullivan (1993) provide an early and influential study that exploited the power of such datasets and applied empirical techniques previously developed in the literature on program evaluation. More recent studies in the same mold include Couch and Placzek (2010), Von Wachter, Song and Manchester (2009), Davis and von Wachter (2011) and several other studies listed below.

Paper No. 981, May. This paper offers a different, and rather eclectic, perspective on 
many of the topics treated in this course. A good source of ideas for research topics.
Turbulence,” Journal of Monetary Economics.
15. Ruhm, Christopher J. 1991 “Are Workers Permanently Scarred by Job Displacements?” 
American Economic Review 81, no. 1, 319-324.
of Unemployment on Health,” Labour Economics.
Ship’ vs. ‘Captain Throwing Ballast Overboard,” Labour Economics
Multiple Job Losses,” Journal of Labor Economics 15, 165-188.
Analysis Using Administrative Data,” Quarterly Journal of Economics, 124(3), 1265-
1306.
20. Topel, Robert H. 1990. “Specific Capital and Unemployment: Measuring the Costs and 
Consequences of Job Loss.” Carnegie-Rochester Conference Series on Public Policy, 
33, 181-214.
due to Job Separation During the 1982 Recession: An Analysis Using Longitudinal 
Administrative Data from 1974 to 2004,” Columbia University Department of Economics 
Discussion Paper No. 0708-16.

Theoretical and empirical studies of specific human capital are highly relevant to the literature on 
the earnings losses associated with job loss. See the studies listed above under Selected Micro-
Oriented Analyses of Labor Market Flows and the following studies:

Selected Studies of Specific Human Capital

Political Economy, 70(5), 9-49.
Economic Review, 71, 475-482.
538-555.
V. Employer Behavior on the Hiring Margin

A vast empirical literature explores the characteristics, behavior and outcomes of the unemployed. Theories of individual and aggregate unemployment behavior are also well developed. Explaining cyclical fluctuations in the unemployment rate, for example, is one of the principal goals of equilibrium search models. In contrast, the study of employer behavior in the process of forming new employment relationships is relatively underdeveloped. The papers listed here consider several aspects of employer behavior on the new hires margin.

A. Job Vacancies in the Hiring Process


B. Evidence on Hiring Costs


C. Selected Theoretical Models of the Hiring Process


D. Hiring as an Investment Decision

E. Wage Behavior on the New Hires Margin

1. Abraham, Katharine G. and John C. Haltiwanger, 1995. “Real Wages ad the Business Cycle,” *Journal of Economic Literature*. This paper surveys the older literature on wage cyclicity, which goes back many decades.


VI. Persistent Wage Effects of Past Labor Market Conditions

These papers investigate whether labor market conditions at the time of hiring or labor market entry have persistent effects on earnings and, if so, whether such persistence can be explained in models with spot-market models of wage-setting behavior.


