

MA3 – Microeconometrics

Jean-Marc Robin

The aim of this course is to show how in practice empirical economists construct and estimate structural econometric models. Starting from an economic question, we show on examples how one can model the question using economic theory. Then we show how the particular data at hand lead to change, adapt and transform the economic model into an econometric model. Lastly, we discuss estimation issues.

We shall particularly insist on the construction of the models. The students are referred to the original papers to study the estimation methodologies and the results in more details.

Plan

Chapter 1. Introduction - Structural econometrics

1. Descriptive vs structural models
2. When is correlation not causality? – Simultaneity, heterogeneity, selectivity – Heckman (ECMA, 74)

Chapter 2. Consumption dynamics

1. The life-cycle model – Hall (JPE, 1978)
2. Estimation of Hall's lifecycle model on panel data – Hall and Mishkin (ECMA, 1982)
3. Liquidity constraints – Zeldes (JPE, 1989)

Chapter 3. Discrete choice models

1. Dynamic discrete choice models
2. Application: college and career choice – Keane and Wolpin (JPE, 1996)

Chapter 4. Job search and unemployment duration

1. The prototypical stationary search model – Flinn and Heckman (JoE, 1982)
2. Adding on-the-job search and layoffs
3. Nonstationary search models (Van den Berg, REStud 1990)

References

J. Heckman (1974), "Shadow Prices, Market Wages, Labor Supply", *Econometrica*, 42(4), 679-94.

R. E. Hall (1978), "Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence", *The Journal of Political Economy*, 86(6), 971-87.

R. E. Hall and F. S. Mishkin (1982), "The Sensitivity of Consumption to Transitory Income: Estimates from Panel Data on Households," *Econometrica*, 50(2), 461-82.

S. P. Zeldes (1989), "Consumption and Liquidity Constraints: An Empirical Investigation", *The Journal of Political Economy*, 97(2), 305-46.

Keane, M. P., and K. I. Wolpin (1997), "The Career Decisions of Young Men", *The Journal of Political Economy*, 105(3), 473-22.

C. Flinn and J. Heckman (1982), "New Methods for Analyzing Structural Models of Labor Force Dynamics", *Journal of Econometrics*, 18, 115-68.

G. Van den Berg (1990), "Nonstationarity in Job Search Theory", *Review of Economic Studies*, 57, 255-77.