

Empirical Microeconomics – Fall 2010
Daniela Iorio

This is a graduate course in empirical microeconomics, which meets on Wednesdays and Thursday from 17:10-19:10. The course covers empirical modeling strategies to specify and estimate static and dynamic models of individual choices about education, occupation, and labor supply.

An econometrics textbook that provides a general reference for some empirical methods used in this course is J.M. Wooldridge, *Econometric Analysis of Cross Section and Panel Data*, MIT Press, Cambridge.

Other good references are

- (1) C. Manski and D. McFadden, *Structural Analysis of Discrete Data with Econometric Applications*, MIT Press, Cambridge, 1981. It is available for downloading on the web at <http://emlab.berkeley.edu/users/mcfadden/discrete.html>.
- (2) W. Greene, *Econometric Analysis*, MacMillan Publishing Company.
- (3) A.C. Cameron and P.K. Trivedi, *Microeconometrics Methods and Applications*, Cambridge.

Office hours: 10:30am-12:30 Mondays or by appointment. To arrange an appointment see me after class or contact me at daniela.iorio@uab.es.

Course Requirements: There will be reading assignments and students are expected to come to class having read the assigned papers and ready to participate in discussion. The final examination will consist of a an exam taken in class on 20/12/2010.

COURSE OUTLINE

Part I Econometrics tools: discrete choice models (binary, multinomial, ordered) based on a Random Utility Models. How to derive the likelihood function and compute marginal effects. Static models.

Part II Extend the analysis to dynamic discrete choice models. How to allow for serial correlation in the error structure and model unobserved heterogeneity. How to bring an economic model to data.

References:

- Z. Eckstein and K. Wolpin, "The Specification and Estimation of Dynamic Discrete Choice Models" *Journal of Human Resources*, 1989, Vol. 24: 562-598.

- V. Aguirregabiria and P. Mira (2010), "Dynamic Discrete Choice Structural Models: A Survey," *Journal of Econometrics*. Vol. 156 (1).

- M. Keane (2010), "Structural vs. Atheoretic Approaches to Econometrics", *Journal of Econometrics*. Vol. 156 (1), pages 3-20

- J. Heckman and S. Urzúa (2010) "Comparing IV with structural models: What simple IV can and cannot identify", *Journal of Econometrics*. Vol. 156 (1), pages 27-37

Part 3: Applications of single-agent models

1) Assume additively separable, conditionally independent and extreme value distributed unobservables.

Reference: J.Rust (1987) "Optimal Replacement of GMC Bus Engines: An Empirical Model of Harold Zurcher," *Econometrica*, vol. 55(5), pages 999-1033.

2) Allow for permanent unobserved heterogeneity, non additive shocks. Selected papers:

Keane, M. and Wolpin, K., "Career Decisions of Young Men", 1993, *Journal of Political Economy*, Vol. 105.

Diermeier, Keane and Merlo, "A Political Economy Model of Congressional Careers," *American Economic Review*, March 2005, Vol. 95, No. 1, pp. 347-373.

J. Rust and C. Phelan, "How Social Security and Medicare Affect Retirement Behavior in a World of Incomplete Markets", *Econometrica*, Vol. 65, No. 4. (Jul., 1997), pp. 781-831.