

Winter 2008

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Introduction to Doing Empirical Microeconomic Research
Econ 421

Meetings

The course will meet Mondays and Wednesdays from 9:00-10:20 p.m. in RO 301.

Requirements:

The main course requirement is to write a paper containing original research that has the potential to be a contribution to knowledge and potentially a precursor to the second-year paper requirement and/or a dissertation chapter. A five page discussion of the idea, model, methods, and data (where applicable) will be due at the conclusion of the term. A completed paper will be due sometime later, as allowed by school policy. Students will have the opportunity to present preliminary work towards the end of the course. There will be two to three empirical problem sets designed to get you working with data.

In addition, students will have the option of writing one referee report on a paper and making a brief presentation of the conclusions in front of the class. This is meant to get you thinking actively and critically about research.

For most of you, there is **absolutely no reason to take this course for credit**. Anyone who wants to sit in the course, but doesn't want to write a paper to fulfill the requirements is welcome. Indeed, I encourage you *not* to take the course for credit unless you can think of a good reason for doing so. I will read any paper you write as carefully if you don't take the course for credit as if you do take the course for credit.

Seminars:

Seminar attendance plays an important part in raising current issues being debated in the field, permitting students to meet some of the outstanding scholars in the field, and providing students with a chance to compare their views on a paper to those of a wide range of faculty. There are two seminars that are particularly relevant to the material in this course, although other seminars may also be valuable. The first is the Applications workshop held on Monday afternoons. The second is an Applied Economics workshop held in the GSB on Wednesdays. I strongly encourage you to attend these seminars regularly.

Another activity that you might find very useful in your education is the informal Friday empirical lunch workshop sponsored by the department. These hour long lunches (12:30-1:30 on Friday in RO 329) allow students the chance to present work-in-progress in a more informal, less pressure-filled environment. Everyone is welcome. Pizza is served. If you don't go to any other seminars, go to these.

Textbooks/Reading Materials:

There is no textbook. Everything covered in this class will be based on articles. I've set up a

link on my website (just google “Steven Levitt” and my web page is the first thing that comes up; then follow the teaching link) where you can download electronic versions of almost all of the papers on the reading list.

Problem Sets:

Over the course of the term there will be two to three problem sets. For each of the problem sets, I’ll give you some data and some guidance for exploring the data,. The goals of these problem sets are to familiarize you with STATA (the statistical software of choice for most people) and give you some practice at manipulating, interpreting, and presenting empirical findings. Kris Hult, a STATA expert, will lead the discussion of the problem sets.

Lectures:

Material to be covered in the course, as well as an approximate schedule, is listed below. What is presented below should be viewed only as a rough guide to the course material, and the timing of lectures is likely to get off-track at some point. The strategy of this course is to present a range of papers – some good, some bad – in attempting to isolate what makes an economics paper (un)successful.

An asterisk next to a paper means that I am likely to talk about the paper in class; the other papers are there as resources for you.

Lectures 1-3: Paper writing 101 (January 7-14)

Readings:

*Marion, Justin, and Erich Muehlegger, 2007, “Measuring Illegal Activity and the Effects of Regulatory Innovation: A Study of Diesel Fuel Tax Evasion,” Forthcoming, *Journal of Political Economy*.

Hsieh, Chang-Tai, and Enrico Moretti, “Can Free Entry be Inefficient? Fixed Commissions and Social Waste in the Real Estate Industry,” *Journal of Political Economy* 2003.

Dixit, Avinash, “My System of Work (Not!),” *American Economist* v38, n1 (Spring 1994): 10-16. [Download](#)

Hamermesh, Daniel, “The Craft of Labormetrics,” *Industrial and Labor Relations Review* v53, n3 (April 2000): 363-80 [Download](#)

A GREAT BOOK IF YOU STRUGGLING FOR IDEAS:

Von Oech, Roger, *A Whack on the Side of the Head : How You Can Be More Creative* (December 1998), Warner Books.

Lectures 4-5: Be the first to tackle a problem (January 16-23)

Readings:

- *Brown, Jeffrey and Austan Goolsbee, "Does the Internet Make Markets More Competitive? Evidence from the Life Insurance Industry," *Journal of Political Economy*, June 2002, 110(3), pp. 481-507. [Download](#)
- *Oster, Emily "Hepatitis B and the Case of the Missing Women", Forthcoming *Journal of Political Economy*. [Download](#)
- *Almond Douglas "Is the 1918 Influenza Pandemic Over? Long-term Effects of In Utero Influenza Exposure in the Post-1940 U.S. Population", NBER working paper, [Download](#)
- *Donohue, John and Steven Levitt, "The Impact of Legalized Abortion on Crime," *Quarterly Journal of Economics*, v116, n2 (May 2001): 379-420. [Download](#)
- Knowles, John, Nicola Persico, and Petra Todd, "Racial Bias in Motor Vehicle Searches: Theory and Evidence," *Journal of Political Economy* 109 (February 2001):203-229. [Download](#)
- Gruber, Jonathan, 1994, "The Incidence of Mandated Maternity Benefits," *American Economic Review*,84: 622-41. [Download](#)

Lecture 6: Fix a literature that is broken (January 28)

Readings:

- *Duggan, Mark, "More Guns, More Crime," *Journal of Political Economy*, 109 (October 2001): 1086-1114. [Download](#)
- *Friedberg, Leora, 1998, "Did Unilateral Divorce Raise Divorce Rates? Evidence from Panel Data," *American Economic Review* 88:608-627. [Download](#)
- Levitt, Steven, "Using Repeat Challengers to Estimate the Effect of Campaign Spending on Election Outcomes in the U.S. House." 1994. *Journal of Political Economy* 102:777-798. [Download](#)

Problem set #1 discussion (End of January, time to be determined)

Lectures 7-8: Find new data (January 30-February 4)

Readings:

*Jensen, Robert, 2007, "The Digital Divide: Information (Technology), Market Performance, and Welfare in the South Indian Fisheries Sector," *Quarterly Journal of Economics*, August 2007, 122:879-924.

*Sorensen, Alan, "Equilibrium Price Dispersion in Retail Markets for Prescription Drugs," *Journal of Political Economy* v108, n4 (August 2000): 833-50 [Download](#)

*Miron, Jeff, 2003, "Do Prohibitions Raise Prices? Evidence from the Market for Cocaine," *Review of Economics and Statistics*, August 2003, 85(3), 522-530. [Download](#)

*Levitt, Steven, 2006, "An Economist Sells Bagels: A Case Study in Profit Maximization," NBER WP No. 12152, 2006.

McMillan, John, and Pablo Zoido, 2004, "How to Subvert Democracy: Montesinos in Peru," *Journal of Economic Perspectives* 18 (4), Fall 2004, 69-92. [Download](#)

Ayres, Ian, and Steven Levitt, "Measuring Positive Externalities from Unobservable Victim Precaution: An Empirical Analysis of Lojack." 1998. *Quarterly Journal of Economics* 113(1): 43-77. [Download](#)

Karpoff, Jonathan, 2001, "Public versus Private Initiative in Arctic Exploration: The Effects of Incentives and Organizational Structure," *Journal of Political Economy* 109:38-78. [Download](#)

Baker, George, Gibbs, Michael, and Bengt Holmstrom, "The Internal Economics of the Firm: Evidence from Personnel Data," *Quarterly Journal of Economics* v109, n4 (November 1994): 881-919. [Download](#)

Wagner, Mathis, 2007, "Native Worker Responses to Immigration and Their Labor Market Consequences," Unpublished manuscript, University of Chicago.

Lectures 9-10: New and better sources of identification (February 6-11)

Readings:

*Hoxby, Caroline, "Does Competition among Public Schools Benefit Students and Taxpayers," *American Economic Review*, v90, n5 (December 2000): 1209-38. [Download](#)

*Rothstein, Jesse, "Does Competition Among Public Schools Benefit Students and Taxpayers? A Comment on Hoxby (2000)." Forthcoming, *American Economic Review*. [Download](#)

*Hoxby, Caroline, "Competition among public schools: A reply to Rothstein (2004)", NBER working paper #11216. [Download](#)

*Kunce, Mitch, Shelby Gerking, and William Morgan, 2002, "Effects of Environmental and Land Use Regulation in the Oil and Gas Industry using the Wyoming Checkerboard as an

Experimental Design,” *American Economic Review* pp.1588-1593. (Also see retraction of this paper: Gerking and Morgan, 2007, *American Economic Review* 97:1092.)

Greenstone, Michael and Kenneth Chay, 2004, “Does Air Quality Matter? Evidence from the Housing Market,” Unpublished manuscript, University of Chicago. [Download](#)

Sloan J. et al., 1988, “Handgun Regulations, Crime, Assaults, and Homicide a Tale of 2 Cities,” *New England Journal of Medicine* 319: (19) 1256-1262 Nov 10.

Angrist, Joshua, and Alan Krueger, “Does Compulsory School Attendance Affect Schooling and Earnings?,” *Quarterly Journal of Economics* v106, n4 (November 1991): 979-1014. [Download](#)

And also on this topic:

Angrist, Joshua, and Alan Krueger, “Empirical Strategies in Labor Economics,” *Handbook of Labor Economics*.

Rosenzweig, Mark and Wolpin, Kenneth, “Natural ‘Natural Experiments’ in Economics,” *Journal of Economic Literature* v38, n4 (December 2000): 827-74 [Download](#)

Lectures 11-13: Lab and field experiments (February 13-20)

Readings:

*List, John, 2005, "The Behavioralist Meets the Market: Measuring Social Preferences and Reputation Effects in Actual Transactions". NBER, working paper, 11616 [Download](#)

*List, John, 2006, “Dictator Game Giving is an Experimental Artifact,” Forthcoming, *Journal of Political Economy*.

*Jensen, Robert, and Nolan Miller, 2007, “Giffen Behavior: Theory and Evidence,” NBER WP 13243.

*Palacios-Huerta, Ignacio, and Oscar Volij, “Experientia Docet: Professionals Play Minimax in Laboratory Experiments,” Unpublished manuscript.

Gintis, Herb, Joseph Henrich, Robert Boyd, Samuel Bowles, Colin Camerer, Ernst Fehr, and Richard McElreath, 2001, “In Search of Homo Economicus: Behavioral Experiments in 15 Small Scale Societies,” *American Economic Review* v91, n2 (May 2001): 73-78. [Download](#)

List, John, and Steven Levitt, 2006, “What do Laboratory Experiments of Social Preferences Tell us about the Real World?” Unpublished manuscript. [Download](#)

Krueger, Alan, 1997, "Experimental Estimates of Education Production Functions," *Quarterly Journal of Economics* v114, n2 (May 1999): 497-532. [Download](#)

Lectures 14-15: Integrate theory and empirics (Non-structural) (February 25-27)

Readings:

*Bresnahan Timothy and Peter Reiss, 1991, "Entry and Competition in Concentrated Markets," *Journal of Political Economy* 99 (October): 977-1009. [Download](#)

*Shepard, Andrea, 1991, "Price Discrimination and Retail Configuration Source," *Journal of Political Economy* 99 (February): 30-53. [Download](#)

*Chiappori, Pierre-Andre, Steven Levitt, and Timothy Groseclose, 2001, "Testing Mixed Strategy Equilibria using Soccer Penalty Kicks," *American Economic Review*, v92 (September 2002): 1138-1151. [Download](#)

McCormick, Robert and Robert Tollison, "Crime on the Court," *Journal of Political Economy*, vol. 92, 1984, pp.223-235. [Download](#)

Problem set #2 discussion (Sometime end of February)

Lecture 16: Integrate theory and empirics (Structural) (March 3)

Readings:

*Pakes, Ariel, 1986, "Patents as Options: Some Estimates of the Value of Holding European Patent Stocks," *Econometrica* 54:755-84. [Download](#)

*Hortacsu, Ali, and Steven Puller, "Understanding Strategic Bidding in Multi-Unit Auctions: A Case Study of the Texas Electricity Spot Market," Unpublished manuscript.

Cameron, Stephen and Taber, Christopher, 2004. "Estimation of Educational Borrowing Constraints Using Returns to Schooling," *Journal of Political Economy* vol. 112(1), pages 132-182 [Download](#)

Haile, Philip, and Elie Tamer, 2003, "Inference with an Incomplete Model of English Auctions," *Journal of Political Economy*, 111 (1), February 2003, 1-51. [Download](#)

Petrin, Amil, "Estimating the Consumer Surplus and Welfare Gains from the Introduction of Minivans," *Journal of Political Economy*, 110:705-729, 2002. [Download](#)

Lectures 17-18: Student presentations of paper ideas and initial research (March 5-March 10)