

**UNIVERSITY OF OSLO**  
**Department of Economics**

**Labor Supply, Occupations, and Inequality in Macroeconomics**

**PhD Course in Macroeconomics**

**June 7-10, 2022**

**Instructors:** Professor Gueorgui Kambourov  
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**Time and Location:** TBA

**Office Hours:** TBA

**Grading:** A Pass/Fail take-home exam.

**Course Objectives:**

This is an advanced PhD course which deals with various topics in quantitative macroeconomics. It aims at providing an overview of frontier methods and topics in macroeconomics, focusing on labor supply and labor economics in macroeconomics. The course will consist of several modules.

Module 1 will focus on the importance of occupations and specific human capital in understanding the level and dynamics of wage inequality. The material will introduce and analyze in great detail island-economy models. We will also study overall wage and earnings inequality through the aspect of between and within firm and occupation inequality.

Module 2 will study the sources of lifetime inequality and the determinants of individuals' lifecycle earnings profiles. The material will focus on the importance of initial conditions, luck, human capital accumulation and individuals' sorting across occupations.

Module 3 will focus on issues of labor supply with a particular focus on understanding the relative importance of the intensive and extensive margins of labor supply and on the effect of taxation and social security programs on cross-country differences in labor supply.

Module 4 will focus on the joint decision of occupational choice and labor supply. The analysis will motivate the importance of studying these decisions in one unified framework and introduce

a simple Roy model consistent with the salient facts observed in the data. The model would then be extended to discuss issues related to gender gaps in occupational sorting, hours worked, and hourly wages.

Module 5 will focus on occupational choice and entrepreneurship. Standard models of occupational choice and entrepreneurship will be overviewed. Then the material will focus on the heterogeneity in entrepreneurial rates of return observed in the data and the implications on the effects of capital income and wealth taxation.

Module 6 will study the role of labor supply for risk sharing. The starting point is the standard incomplete market model. Risk sharing is manifested in labor supply and inequality. We will study the empirical evidence on inequality and labor supply.

## **Tentative Course Outline**

### **1. Occupations, Specific Human Capital, and Wage Inequality.**

Kambourov and Manovskii, (2009), "Occupational Specificity of Human Capital," *International Economic Review*, 50(1), pp. 63-115.

Kambourov and Manovskii, (2008), "Rising Occupational and Industry Mobility in the United States: 1968-1997," *International Economic Review*, 49(1), pp. 41-79.

Kambourov and Manovskii, (2009), "Occupational Mobility and Wage Inequality," *Review of Economic Studies*, 76(2), pp. 731-759.

Caines, Hoffmann, and Kambourov, (2017), "Complex-Task Biased Technological Change and the Labor Market," *Review of Economic Dynamics*, 25, pp. 298-319.

#### ***Island-Economy Models***

Lucas and Prescott, (1974), "Equilibrium Search and Unemployment," *Journal of Economic Theory*, 7, 188-209.

Alvarez and Veracierto, (1999), "Labor Market Policies in an Equilibrium Search Model", in B. Bernanke and J. Rotemberg (eds.) *NBER Macroeconomics Annual* (Cambridge, MA: The MIT Press) 265-316.

Alvarez and Veracierto, (2000), "Equilibrium Search and Labor Market Policies: A Theoretical Analysis," manuscript, University of Chicago.

Kambourov and Manovskii, (2009), "Occupational Mobility and Wage Inequality," *Review of Economic Studies*, 76(2), pp. 731-759.

#### ***Between- and Within- Firm and Occupation Inequality***

Song, Price, Guvenen, Bloom, and von Wachter, (2019), “Firming Up Inequality,” *The Quarterly Journal of Economics*, 134, 1, pp. 1–50.

Gyoshev, Kambourov, Kuruscu, and Pavkov, (2020), “Economic Growth and Earnings Inequality: The Effects of Firms and Occupations,” manuscript, University of Toronto.

## **2. Lifecycle Earnings Inequality and Occupations.**

Keane and Wolpin, (1997), “The Career Decisions of Young Men,” *Journal of Political Economy*, 105 (3), pp. 473-522.

Storesletten, Telmer, and Yaron, (2004), “Consumption and Risk Sharing over the Life Cycle,” *Journal of Monetary Economics*, 51, pp. 609-633.

Huggett, Ventura, and Yaron, (2011), “Sources of Lifetime Inequality,” *American Economic Review*, 101 (7), pp. 2923-54.

Lagakos, Moll, Porzio, Qian, Schoellman, (2018), “Life Cycle Wage Growth across Countries,” *Journal of Political Economy*, 126 (2), pp. 797-849.

Erosa, Fuster, Kambourov, and Rogerson, (2022), “Occupations, Life Cycle Wage Growth, and Inequality,” manuscript, University of Toronto.

## **3. Labour Supply.**

Prescott, (2004), “Why Do Americans Work Much More than Europeans?,” *Federal Reserve Bank of Minneapolis Quarterly Review*, 28, pp. 2–13.

Erosa, Fuster, and Kambourov, (2012), “Labor Supply and Government Programs: A Cross-Country Analysis,” *Journal of Monetary Economics*, 59(1), 2012, pp. 84-107.

Erosa, Fuster, and Kambourov, (2016), “Towards a Micro-Founded Theory of Aggregate Labour Supply,” *Review of Economic Studies*, 83(3), pp. 1001-1039.

Attanasio, Levell, Low, and Sánchez-Marcos, (2018), “Aggregating Elasticities: Intensive and Extensive Margins of Women’s Labor Supply,” *Econometrica*, 86 (6), pp. 2049-208.

## **4. Occupational Choice and Labor Supply.**

Erosa, Fuster, Kambourov, and Rogerson, (2022), “Hours and Occupations,” manuscript, University of Toronto.

Erosa, Fuster, Kambourov, and Rogerson, (2022), “Hours, Occupations, and Gender Differences in Labor Market Outcomes,” *American Economic Journal: Macroeconomics*, forthcoming.

## **5. Occupational Choice and Entrepreneurship.**

Cagetti and De Nardi, (2006), “Entrepreneurship, Frictions, and Wealth,” *Journal of Political Economy*, 114, pp. 835-869.

Brandt, Dai, Kambourov, Storesletten, and Zhang (2022), “Serial Entrepreneurship in China,” manuscript, University of Toronto.

Benhabib, Bisin, and Zhu, (2011), “The Distribution of Wealth and Fiscal Policy in Economies with Finitely Lived Agents,” *Econometrica*, 79(1), pp.123-157.

Smith, Yagan, Zidar, and Zwick, (2019), “Capitalists in the Twenty-First Century,” *Quarterly Journal of Economics*, 134(4), pp. 1675–1745.

Fagereng, Guiso, Malacrino, and Pistaferri, (2020), “Heterogeneity and Persistence in Returns to Wealth,” *Econometrica*, 88(1), pp. 115-170.

Guvenen, Kambourov, Kuruscu, Ocampo, and Chen, (2022), “Use It or Lose It: Efficiency Gains from Wealth Taxation,” manuscript, University of Toronto.

## **6. Risk sharing and labor supply.**

Heathcote, J., K. Storesletten, and G. Violante, 2014. "Consumption and Labor Supply with Partial Insurance: An Analytical Framework." *American Economic Review*, vol. 104(7), pp. 2075-2126.

Heathcote, Storesletten, and Violante, 2008. "Insurance and Opportunities: A Welfare Analysis of Labor Market Risk," *Journal of Monetary Economics*, vol. 55 (3), pp.501-525.