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
1. Descriptive vs structural models
2. Correlation is not causality

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 (Ecta, 1982)

Chapter 3. Discrete choice models
1. Dynamic discrete choice models

Chapter 4. Job search and unemployment duration
1. The prototypical stationary search model – Flinn and Heckman (JoEconometrics, 1982), Lancaster and Chesher (Ecta, 1983).
2. Adding on-the-job search and layoffs
3. Nonstationary search models

Chapter 5. Wage dispersion
1. Facts on wage distributions
2. Competitive models of sorting – Heckman, Honoré (Ecta, 1990)
4. Auction models – Postel-Vinay and Robin (Ecta, 2002), Cahuc, Postel-Vinay, Robin (Ecta, forthcoming)