

Econ 332 Labor Economics

Spring 2017

MWF 9:00–9:50 AM

Baxter 201

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Office Hours: Anytime I'm in.

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Why does the market for one particular good deserve its own class? Because the labor market is so important! It's how we earn our livelihoods. Practically everyone will participate in the labor market as a seller, and some will participate as a buyer as well. (Even if someone does not participate in the labor market, we can analyze that choice using the tools of labor economics.) Firms spend more on labor than on other inputs, and the labor market is also an important area of government policy.

I enjoy this class because we get to move beyond the simple microeconomic models and discuss some more complicated models. You will find this class more “real-world” than Econ 291. I hope that you will enjoy it too.

Goals for this Class

1. Learn how labor markets work. Develop an appreciation for the complexity of real-world markets.
2. Developed informed opinions about labor market policy.
3. Practice and develop skills in microeconomic theory.
4. Practice and develop skills in data analysis and econometrics. Develop Stata skills.

Tools

This is an upper-level economics class. We will use theory introduced in Econ 291, and econometrics introduced in Econ 253, to study the labor market. Both are prerequisites.

Tasks

Your grade will be based on the following items:

Two Exams	18% each
Final Exam with Data Analysis	20%
Research Paper	20%
Homework	8%
Computer Labs	8%
Participation	8%

Exams

There will be two exams and a final. The final exam will include data analysis.

Research Paper

You will write a 10-12 page research paper. Choose a question related to labor economics and use data to answer that question.

Homework

You will have two types of homework – summaries of articles and problem sets.

I will ask you to turn in a brief summary of each paper we read. Your summary should identify the question asked, the author's conclusion, and the evidence presented to support that conclusion.

Late homework will receive half credit. No homework will be accepted after the last day of class.

Computer Labs

We will use data extensively in this class; the computer labs will require you to download and analyze data. Always turn in both your data file and either your log or do file with your answers. I will take off points if I cannot find these files.

Readings

George Borjas, *Labor Economics*, 6th ed., McGraw-Hill, 2013

Other readings are available on Canvas.

Outline

1. *Labor Supply*

Borjas Ch. 2

Dora Costa, "The Wage and the Length of the Work Day: From the 1890s to 1991," *Journal of Labor Economics*, January 2000, 18:156-181.

Nada Eissa and Jeffrey Liebman, "Labor Supply Response to the Earned Income Tax Credit," *Quarterly Journal of Economics*, May 1996, CXI:605-637.

2. *Labor Demand*

Borjas Ch. 4, 5:1–5:4, 5:8

David Card and Alan Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, Sept. 1994, pp. 772-793
"Review Symposium," *Industrial and Labor Relations Review*, Vol. 48, July 1995, pp. 827-849.

David Card and Alan Krueger, "Time-Series Minimum-Wage Studies: A Meta-Analysis," *American Economic Review*, May 1995, pp. 238-243.

Gary Burtless, "Are Targeted Wage Subsidies Harmful? Evidence from a Wage Voucher Experiment," *Industrial and Labor Relations Review*, Oct. 1985, 39:105-114.

3. *Incentives and Efficiency Wages*

Borjas Ch. 12

George Akerlof, "Labor Contracts as Partial Gift Exchange," *Quarterly Journal of Economics*, Nov. 1982, 97:543-559. Read only to p. 559; this is not the whole article.

4. *Human Capital*

Borjas Ch. 7:1–7:9

Andreas Schick and Richard Steckel, "Height, Human Capital, and Earnings: The Contributions of Cognitive and Noncognitive Ability," *Journal of Human Capital*, 2015, 9:94-115.

Michael Spence, "Job Market Signaling," *Quarterly Journal of Economics*, August 1973, 87: 355-374

5. *Discrimination*

Borjas, Ch. 10

William Darity Jr. and Patrick Mason, "Evidence on Discrimination in Employment: Codes of Color, Codes of Gender," *Journal of Economic Perspectives*, Spring 1998, 12:63-90.

David Neumark, Roy Bank, and Kye Van Nort, "Sex Discrimination in Restaurant Hiring: An Audit Study," *Quarterly Journal of Economics*, August 1996, CXI:915-941.

Derek Neal and William Johnson, "The Role of Premarket Factors in Black-White Wage Differences," *Journal of Political Economy*, 1996, 104:869–895.

Arthur Goldsmith, Jonathan Veum, and William Darity, "The Impact of Psychological and Human Capital on Wages," *Economic Inquiry*, Oct. 1997, 35:815–829.

Muriel Niederle and Lise Vesterlund, "Do Women Shy Away from Competition? Do Men Compete Too Much?" *Quarterly Journal of Economics*, Aug. 2007, 122:1067-1102.

6. Immigration

Borjas, Ch. 5.5–5.6, 9.1–9.7

Edward Kosack and Zachery Ward, “Who Crossed the Border? Self-Selection of Mexican Migrants in the Early Twentieth Century,” *Journal of Economic History*, 74:1015–1044.

Gordon Hanson, “Illegal Migration from Mexico to the United States,” *Journal of Economic Literature*, Dec. 2006, 44:869–924.

7. Unions

Borjas, Ch. 11

Freeman and Medoff, *What Do Unions Do?*, New York: Basic Books, 1984, Ch. 1, "A New Portrait of U.S. Unionism"

8. Income Inequality and Mobility

Borjas Ch. 8:1–8:4, 5:6

George Borjas, “Long-Run Convergence of Ethnic Skill Differentials: The Children and Grandchildren of the Great Migration,” *Industrial and Labor Relations Review*, July 1994, 47:553-573.

Miles Corak, “Income Inequality, Equality of Opportunity, and Intergenerational Mobility,” *Journal of Economic Perspectives*, Summer 2013, 27:79–102.

Raj Chetty, Nathaniel Hendren, Patrick Kline, and Emmanuel Saez, “Where is the Land of Opportunity? The Geography of Intergenerational Mobility in the United States,” *Quarterly Journal of Economics*, Nov. 2014, 129:1553–1623.

Schedule

Date	Assignment	Topic	Reading
Jan. 16		Labor Supply	
18		Labor Supply	Borjas 2.1 – 2.6
20		Income and Substitution Effects	Borjas 2.7 – 2.9
23		Hours of Work	Dora Costa, “Wage and the Length of the Work Day,” <i>Jnl Labor Econ</i> , 2000
25	Lab 1 Due	Income and Substitution Effects	
27	HW1 Due	Welfare and EITC	Borjas 2.10–2.11
30		EITC	Eissa and Liebman, “Labor Supply Response to the Earned Income Tax Credit,” <i>QJE</i> 1996
Feb. 1	HW2 Due	Labor Demand	Borjas 3.1–4.2
3		Labor Demand	Borjas 3.3–3.8
6		Equilibrium, Taxes, Monopsony	Borjas 4.1–4.3; 4.9
8	HW3 Due	Equilibrium, Minimum Wages	Borjas 3.10
10		Minimum Wages	Card and Krueger, “Minimum Wages and Employment,” <i>AER</i> 1994
13		Minimum Wages	“Review Symposium” <i>Industrial and Labor Relations Review</i> 1995
15		Minimum Wages	Card and Krueger, “Time-Series Minimum-Wage Studies,” <i>AER</i> 1995
17	TEST ONE		
20		Wage Subsidies Piece-rates	Burtless, “Are Targeted Wage Subsidies Harmful?” <i>ILLR</i> 1985
22		Efficiency Wages	Borjas Ch. 12

24		Efficiency Wages	Akerlof, "Labor Contracts as Partial Gift Exchange," <i>QJE</i> 1982. ONLY to p. 559
27	HW4 Due	Human Capital	Borjas 6.1 – 6.8
Mar. 1		Wage Profiles	Borjas 6.11 – 6.12
3		Human Capital	Schick and Stickle, "Height, Human Capital, and Earnings" <i>Jnl. of Human Capital</i> , 2015
BREAK			
13	Lab 2 Due	Signaling	Borjas 6.9
15			Spence, "Job Market Signaling," <i>QJE</i> August 1973
17	HW5 Due	Discrimination, Models	Borjas Ch. 9
20		Discrimination, Measurement	Darity and Mason, "Evidence on Discrimination in Employment" <i>JEP</i> , 1998
22		Discrimination, Audit Studies	Neumark, Bank, and Van Nort, "Sex Discrimination in Restaurant Hiring," <i>QJE</i> 1996
24		Oaxaca Decomposition	Borjas 9.8
27		Discrimination	Neal and Johnson, "The Role of Premarket Factors," <i>JPE</i> 1996.
29		Discrimination	Goldsmith, Veum, and Darity, "The Impact of Psychological and Human Capital on Wages" <i>Economic Inquiry</i> 1997
31	TEST TWO		
Apr. 3	No Class	Work on your paper	
5		Discrimination	Niederle and Vesterlund, "Do Women Shy Away from Competition? Do Men Compete Too Much?" <i>QJE</i> 2007
7	Lab 3 Due	Immigration	Borjas 4.5–4.6 and 8.5–8.8
10		Immigration	Kosack and Ward "Who Crossed the Border?" <i>JEH</i> 2014
12		Immigration	Gordon Hanson, "Illegal Migration from Mexico to the United States" <i>JEL</i> 2006. SKIP sections 2.3 and 3.3–3.5.
14	Lab 4 Due	Unions	Borjas 10.1–10.2, 10.6–10.8
17		Unions	Freeman and Medoff, <i>What Do Unions Do?</i> Ch. 1
19	PAPER Due	Wage Inequality	Borjas 7.1 – 7.4
21		Mobility	Borjas,
24		Mobility	Corak, "Income Inequality, Equality of Opportunity and Intergenerational Mobility" <i>JEP</i> 2013
26		Mobility	Chetty et.al. "Where is the Land of Opportunity?" <i>QJE</i> 2014, pp. 1553–1586
28		Mobility	Chetty et.al. "Where is the Land of Opportunity?" <i>QJE</i> 2014, pp. 1586–1620
May 2	FINAL 9:00 AM		