

## EC 321 Labor Economics--Syllabus & Rough Course Outline<sup>1</sup>

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Office hours: Weds 3:30 to 6:30 pm, and by appointment

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### Overview of the course

In this course you will learn what economists have to say about the operations of labor markets. The course will focus largely on the United States, although it will make some international comparisons at times. Its content is both theoretical and empirical, drawing on and building on skills and knowledge that you developed in your intro to macro, microeconomic theory, and statistics courses. The course will introduce you to a variety of models, and it will require you to think about ways that economists use data to support or refute hypotheses about human behavior and market operations. It also will cover policy matters and institutional details.

### Course objectives

One aim of this course is to expose you to existing economic research. Another is to provide you with an opportunity to do some research yourself.

### Prerequisites

EC 236 (Microeconomic Theory) and EC237 (Statistics)

### Readings

Textbooks: The primary texts for this course are Ehrenberg and Smith's Modern Labor Economics and Mishel, Bernstein and Boushey's The State of Working America. Both of these are available at the Skidmore Shop. Students who would like a handy reference to Microsoft Excel also have the option of purchasing Statistics with Excel.

Other readings: Because this is a 300-level course, it will incorporate additional readings, such as articles from scholarly journals, public policy reports, and academic books. The economics department is committed to ensuring that its majors are capable of reading critically within the discipline, and having to digest material written for economists and policymakers will help you sharpen these skills. The outside readings will be available on-line or at Scribner Library.

### Assignments and Grading

Each student's course grade will depend upon his or her scores on the following:

- (1) Two midterms (25% each).
- (2) A 15 page research paper (35%---10% comes from score on 1st draft; and the remaining 25% from the final version)
- (3) Class participation (15%). Your class participation score will assess your performance (a) participating on designated discussion and response teams, (b) making other contributions to general class discussion, (c) presenting your paper to the class, (d) completing the assigned data exercises, and (e) your consistency in submitting discussion questions for the scholarly readings.<sup>2</sup>

### Data sources and handy websites

- We will be working with two datasets this semester: (1) The Panel Study of Income Dynamics (PSID)--see <http://psidonline.isr.umich.edu>, and (2) census data from IPUMS--see <http://www.ipums.umn.edu>
- Other on-line resources: [www.bls.gov](http://www.bls.gov) and [www.cbo.gov](http://www.cbo.gov)

### Key dates to keep in mind regarding assignments

- Midterm #1 is on Thursday, 10/14      ·Midterm #2 is on Tuesday, 11/23
- Draft of research question or thesis statement for research project due on 10/26
- 1st draft of paper (with complete lit review & theory section) due on Thursday, 12/2
- Student in-class paper presentations 12/2-12/14
- Final draft of paper (including empirical work) due on Thursday, 12/23 (last day of the semester)

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<sup>1</sup> The instructor reserves the right to vary this syllabus if circumstances warrant such.

<sup>2</sup> **For each of the outside readings, each student is required to submit 1 question for the class to discuss.** These questions must be submitted to the instructor by 8 a.m. for that class day (via e-mail). The discussion question that you design and send may be one that addresses a key point in the reading, or one of clarification if you believe that our understanding of the reading would be enhanced by discussing a specific weakness in the author's presentation.

## Labor Topics for the Semester

### I. Overview issues: Definitions and important terminology

- Defining the labor market; assessing individuals' labor market status; distinguishing between wages, earnings, compensation and income; economics as a science--positive analysis and the role of theory and data; economics in policymaking--"What should we do?" and other normative questions.

*Readings:* Chapters 1 and 2 from Modern Labor Economics. (For Chpt. 1, focus on pp. 1-14 and skim appendix 1A. For Chapter 2, read pp. 24-36 and pp. 51-53.)

### II. Macro topics in labor economics

#### A. Theoretical matters

- the natural rate of unemployment (long-run U); cyclical unemployment (short-run U).

#### B. Empirical issues: Recent macroeconomic trends & current labor market statistics

- unemployment rates, labor force participation (LFP), and time spent on housework in the United States and elsewhere.

*Readings:*

Chpt. 15 of Modern Labor Economics, Read pp. 503-513 (but skip the job search model), 516-526, & 530-534.

Congressional Budget Office (CBO) Paper: The Effect of Changes in Labor Markets on the Natural Rate of Unemployment, April 2002, available on-line at [www.cbo.gov](http://www.cbo.gov)

"Help Wanted" by Roger Lowenstein in The New York Times Magazine, Sunday, September 5, 2004 (available on-line)

"Executive Summary," State of Working America (pp. 1-14)

"Introduction: What kind of recovery?" State of Working America (pp. 15-24)

**Data exercise: PSID tutorial #1--Trends in household production for married women**

### III. Micro-based topic #1: Labor Supply

- the labor-leisure tradeoff, the labor/household production model, taxing labor, how social policies can affect labor supply, the institutional setting of work hours and the prospect of overwork

*Readings:*

Chpts 6 & 7 of Modern Labor Economics

CBO Memorandum: Labor Supply and Taxes, January 1996. available on-line at [www.cbo.gov](http://www.cbo.gov)

CBO Report: Family Income of Unemployed Insurance Recipients, March 2004. available on-line at [www.cbo.gov](http://www.cbo.gov)

Juliet Schor's The Overworked American, pp: TBA

Gini, Al My Job, My Self, Chpt. 1("You are what you do") available on reserve at Scribner Library

Darity, William and Arthur Goldsmith. "Social Psychology, Unemployment and Macroeconomics," Journal of Economic Perspectives, Vol. 10, No. 1, Winter 1996, pp. 121-140 (available on-line using JSTOR from Scribner Library's website).

*Issues to debate:* (1) Juliet Schor vs. the choice-theoretic perspective of traditional neoclassical theory; (2) Should we get rid of welfare? (3) Are there psychological costs to unemployment?

**Data exercise: PSID tutorial #4--Moms' labor force participation and child outcomes**

#### IV. Micro-based topic #2: Labor Demand

- marginal product, labor demand under different forms of market structure, demand elasticities, quasi-fixed labor costs, labor demand in practice--what types of jobs are out there, what types of workers are wanted?

*Readings:* Chpts 3, 4, & 5 of Modern Labor Economics  
Chpt. 3 of State of Working America

*Data exercise:* The changing structure of US industry <TBA>

*Issues to debate:* (1) Should Maurice Clarrette have been allowed to enter the NFL draft? (2) Is outsourcing good for the US economy?

#### V. Micro-based topic #3: Equilibrium, wage determination, and other topics related to compensation

- why there are wage differences across industries, human capital and wage differences by level of education, compensating differentials, the benefits of union membership, earnings inequality, skill-biased technical change, the conditions of low wage work, poverty and lack of work, pensions and retirement savings.

*Readings:* Chpts. 8, 9, 12, 13 (pp. 452+), and 14 of Modern Labor Economics  
Chpts 2 & 5 & 7 of State of Working America  
"Changes in Labor Markets" and "Why Inequality Increased" in America Unequal by Danziger and Gottschalk, pp. 111-150 (available on reserve at Scribner)  
"Productivity and Human Capital" in The Naked Economist by Charles Wheeland, pp. 98-117.  
Wilson's When Work Disappears, pp: TBA  
Mead's The New Politics of Poverty--The Nonworking Poor in America, pp: TBA  
Bridge, Benjamin and Sharmila Choudhury. Social Security Benefits as a Source of Retirement Resources for U.S. Near Retirees, Paper presented at the IARIW's 28th General Conference in Cork, Ireland, August 27, 2004 (available online at www.iariw.org)  
Solon, Gary. "Intergenerational Income Mobiliy," The American Economic Review, Vol. 82(3) June 1992---available on-line at JSTOR from Scribner Library website.  
Haveman et al. "Inequality of Family and Community Characteristics in Relation to Children's Attainments" Unpublished manuscript for Russell Sage Working Group on Inequality.  
Wolff, Ed. The Devolution of the American Pension System: Who Gained and Who Lost? Journal: Eastern Economic Journal, Volume 29, Issue 4, 2004.  
Darity, William. "Will the Poor Always be With Us?" Review of Social Economy, December 2003, Volume 61(4), pp. 471-477.

**Data exercise: IPUMS and income differences by gender and by race**

*Issues to debate:* (1) Are NBA players better people than you? Do high wages always signal merit and does high income signal hard work? (2) Should Professor Chiteji be paid more? (3) Is there discrimination in the labor market? (4) Is poverty due to lack of work and will the poor always be with us? (5) Are earnings correlated across generations and why does this matter? (7) Should US Air be allowed to cut its employees pension benefits?

#### VI. Additional Data Analysis and Statistical Software topics <TBA>

#### VII. Student Presentation Roundtables: What's your research project/paper about?