

Economics 151A ECONOMICS OF THE LABOR MARKET

COURSE DESCRIPTION

This course will cover the following topics:

1. Labor Supply Theory
2. Labor Demand Theory
3. Determination of Wages and Employment in the Labor Market
4. Economic Theories of Labor Unions
5. Compensating Wage Differentials

Students will receive an understanding of the traditional economic models relevant to the study of the labor market.

COURSE PREREQUISITES

The prerequisite for this course is Intermediate Microeconomics (Economics 100 or 104). In presentation and testing of the course material, I will also assume that you have background in calculus (Mathematics 16A-16B or 21A-21B) and in statistics (Statistics 13 or 32), which are required courses for the economics major. You should have passed all of these courses with a grade of C- or higher.

READINGS

Required text: George J. Borjas, *Labor Economics* (any edition after the 2nd) Irwin McGraw-Hill.

Current Events: I will expect you to read or listen to the news during the quarter.

Further Reading: Additional readings can be found on the course website.

TECHNOLOGY POLICY

No laptops allowed in lecture, no cell phones allowed out in lecture, tablets laid flat are OK. See the following articles regarding technology and student success to understand my motives...

Advantages of taking notes by hand and not on a laptop: <https://www.scientificamerican.com/article/a-learning-secret-don-t-take-notes-with-a-laptop/>

Advantages of putting away your cell phone: <http://cep.lse.ac.uk/pubs/download/dp1350.pdf>

GRADING

Distribution of Points:

Your final grade in the course will be determined by the following:

30%	Midterm 1
30%	Midterm 2
40%	Final Exam

An assignment will be posted on the course website for an additional 5 course points or 5 additional percentage points. This assignment will give you an opportunity to make up for missed points on exams.

Exam and Re-grade Policy:

There will be no make-up exams. If you miss a midterm exam due to an excused illness, your final exam ranking will determine the score used for your missed midterm.

If an administrative error has been made in calculating your grade (such as an arithmetic error in adding up your score) no re-grade request need be submitted. Merely bring the error to my attention so that I can correct it. If you desire an exam re-grade, please adhere to the following procedure:

- Submit, *in person*, a *written* request for the re-grade *within one week* of receiving your graded exam.
- In your written request, enumerate questions deserving special attention in my second reading of your exam and why such questions deserve special attention.
- Attach the original version of your exam to this written statement.

Please note that your *entire exam* will be reviewed. That is, if some of your answers are revealed lacking (in content, in clarity, etc.) upon my second reading, you may end up losing points. Re-graded exams will be returned, at the latest, two weeks after the initial return of the examinations.

CODE OF CONDUCT

I expect students to adhere strictly to the code of academic conduct found at <http://sja.ucdavis.edu/files/cac.pdf>. All violations will be referred to Judicial Affairs.

HOMEWORK ASSIGNMENTS

Homework will be assigned at the beginning of the quarter and after each exam. Answers will be discussed in discussion section. These assignments will not be graded.

ADDITIONAL NOTE

If you have a physical disability, any difficulty with the English language, or other special needs that are relevant to your success in this class please see me early in the quarter. I will help you get access to resources that may help you deal with any special problems you might have in the course

COURSE OUTLINE

Introduction	<p><u>Readings:</u> Borjas, Chapter 1 & Appendix <u>Further Reading:</u> <u>Data Watch: The Redesigned Current Population Survey</u> Anne E. Polivka <i>The Journal of Economic Perspectives</i>, Vol. 10, No. 3. (Summer, 1996), pp. 169-180. Stable URL: http://links.jstor.org/sici?sici=0895-3309%28199622%2910%3A3%3C169%3ADWTRCP%3E2.0.CO%3B2-1</p>
Topic 1: Labor Supply Theory	<p><u>Readings:</u> Borjas, Chapter 2 in the fifth edition (or chapters 2 & 3 in earlier editions of the text) <u>Further Reading:</u> <u>Examining the Effect of the Earned Income Tax Credit on the Labor Market Participation of Families on Welfare</u> V. Joseph Hotz; John Scholz NBER Working Paper #11968 http://www.nber.org/papers/w11968.pdf</p> <p><u>The Estimation of Income and Substitution Effects in a Model of Family Labor Supply</u> Orley Ashenfelter; James Heckman <i>Econometrica</i>, Vol. 42, No. 1. (Jan., 1974), pp. 73-86. Stable URL: http://links.jstor.org/sici?sici=0012-9682%28197401%2942%3A1%3C73%3ATEOIAS%3E2.0.CO%3B2-X</p> <p><u>Determining Participation in Income-Tested Social Programs</u> Orley Ashenfelter <i>Journal of the American Statistical Association</i>, Vol. 78, No. 383. (Sep., 1983), pp. 517-525. Stable URL: http://links.jstor.org/sici?sici=0162-1459%28198309%2978%3A383%3C517%3ADPIISP%3E2.0.CO%3B2-I</p>

	<p><u>Child Endowments and the Quantity and Quality of Children</u> Gary S. Becker; Nigel Tomes <i>The Journal of Political Economy</i>, Vol. 84, No. 4, Part 2: Essays in Labor Economics in Honor of H. Gregg Lewis. (Aug., 1976), pp. S143-S162. Stable URL: http://links.jstor.org/sici?sici=0022-3808%28197608%2984%3A4%3CS143%3ACEATQA%3E2.0.CO%3B2-Q</p>
MIDTERM 1 HELD IN CLASS	
<p>Topic 2: Labor Demand Theory</p>	<p><u>Readings:</u> Borjas, Chapter 3 (or chapter 4 in past editions of the text) Further Reading: <u>The Minimum Wage and the Great Recession: Evidence of Effects on the Employment and Income Trajectories of Low-Skilled Workers</u> Jeffrey Clemens; Michael Wither NBER Working Paper #20724 http://www.nber.org/papers/w20724</p> <p><u>Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania</u> David Card; Alan B. Krueger <i>The American Economic Review</i>, Vol. 84, No. 4. (Sep., 1994), pp. 772-793. Stable URL: http://links.jstor.org/sici?sici=0002-8282%28199409%2984%3A4%3C772%3AMWAEAC%3E2.0.CO%3B2-O</p> <p><u>The Intergenerational Effects of Worker Displacement</u> Philip Oreopolous; Marianne Page; Ann Huff Stevens NBER Working Paper #11587 http://www.nber.org/papers/w11587.pdf</p>
<p>Topic 3: Determination of Wages and Employment in the Labor Market</p>	<p><u>Readings:</u> Borjas, Chapter 4 (or chapter 5 in past editions of the text) Further Reading: <u>The Labor Market Effects of Reducing Undocumented Immigrants</u> Andri Chassamboulli; Giovanni Peri (2014) http://economics.ucdavis.edu/people/gperi/site/papers/Chassamboulli Peri Feb 14 2014.pdf</p> <p><u>STEM workers, H1B Visas and Productivity in US cities</u> Giovanni Peri; Kevin Shih; Sparber (2013) http://economics.ucdavis.edu/people/gperi/site/papers/peri shih sparber 05 feb 2013 TEMPO.pdf</p> <p><u>Does Immigration Grease the Wheels of the Labor Market?</u> George J. Borjas <i>Brookings Papers on Economic Activity</i>, Vol. 2001, No. 1. (2001), pp. 69-119. Stable URL: http://links.jstor.org/sici?sici=0007-2303%282001%292001%3A1%3C69%3ADIGTWO%3E2.0.CO%3B2-H</p> <p><u>The New Jobs Tax Credit: An Evaluation of the 1977-78 Wage Subsidy Program</u> Jeffrey M. Perloff; Michael L. Wachter <i>The American Economic Review</i>, Vol. 69, No. 2, Papers and Proceedings of the Ninety-First Annual Meeting of the American Economic Association. (May, 1979), pp. 173-179. Stable URL: http://links.jstor.org/sici?sici=0002-8282%28197905%2969%3A2%3C173%3ATNJTCA%3E2.0.CO%3B2-1</p> <p><u>Some Simple Economics of Mandated Benefits</u> Lawrence H. Summers <i>The American Economic Review</i>, Vol. 79, No. 2, Papers and Proceedings of the Hundred and First Annual Meeting of the American Economic Association. (May, 1989), pp. 177-183. Stable URL: http://links.jstor.org/sici?sici=0002-8282%28198905%2979%3A2%3C177%3ASSEOMB%3E2.0.CO%3B2-N</p>
MIDTERM 2 HELD IN CLASS	

<p>Topic 4: Economic Theories of Labor Unions</p>	<p><u>Readings:</u> Borjas, Chapter 10 (or chapter 11 in past editions of the book) Further Reading:</p> <p><u>American Trade Union Growth: 1900-1960</u> Orley Ashenfelter; John H. Pencavel <i>The Quarterly Journal of Economics</i>, Vol. 83, No. 3. (Aug., 1969), pp. 434-448. Stable URL: http://links.jstor.org/sici?sici=0033-5533%28196908%2983%3A3%3C434%3AATUG1%3E2.0.CO%3B2-9</p> <p><u>The Decline of Unionization in the United States: What can be Learned from Recent Experience?</u> Henry S. Farber <i>Journal of Labor Economics</i>, Vol. 8, No. 1, Part 2: Essays in Honor of Albert Rees. (Jan., 1990), pp. S75-S105. Stable URL: http://links.jstor.org/sici?sici=0734-306X%28199001%298%3A1%3CS75%3ATDOUIT%3E2.0.CO%3B2-V</p> <p><u>The Effects of Unions on Resource Allocation</u> Albert Rees <i>Journal of Law and Economics</i>, Vol. 6. (Oct., 1963), pp. 69-78. Stable URL: http://links.jstor.org/sici?sici=0022-2186%28196310%296%3C69%3ATEOUOR%3E2.0.CO%3B2-7</p> <p><u>Learning by Striking: Estimates of the Teetotaler Effect</u> John F. Schnell; Cynthia L. Gramm <i>Journal of Labor Economics</i>, Vol. 5, No. 2. (Apr., 1987), pp. 221-241. Stable URL: http://links.jstor.org/sici?sici=0734-306X%28198704%295%3A2%3C221%3ALBSEOT%3E2.0.CO%3B2-C</p>
<p>Topic 5: Compensating Wage Differentials</p>	<p><u>Readings:</u> Borjas, Chapter 5 (or chapter 6 in past editions of the book) Further Reading:</p> <p><u>Compensating Differentials for Cyclical and Noncyclical Unemployment: The Interaction between Investors' and Employees' Risk Aversion</u> Elizabeth H. Li <i>Journal of Labor Economics</i>, Vol. 4, No. 2. (Apr., 1986), pp. 277-300. Stable URL: http://links.jstor.org/sici?sici=0734-306X%28198604%294%3A2%3C277%3ACDFCAN%3E2.0.CO%3B2-A</p>
<p>FINISH UP AND REVIEW FINAL EXAM (Comprehensive)</p>	