

Economics 209: Labor Economics Spring 2008

Professor Brainerd
Stocking 5
x2408
Elizabeth.Brainerd@williams.edu

Office hours:
Tuesdays 2:00 - 3:00 pm
Wednesdays 10:30 am - 12:30 pm
and by appointment

Course description: Economics 209 provides a survey of labor economics with an emphasis on policy issues. While the course teaches the analytical tools necessary to understand how labor markets work, it is structured around a number of prominent labor market policy issues, such as inequality, minimum wages, affirmative action and the role of unions.

For example, some of the questions we will examine include:

- Why do women earn less than men?
- Do immigrants hurt the wages or employment opportunities of native workers?
- Does increasing the minimum wage increase unemployment, and thus end up hurting the people it is intended to help?
- What has caused rising wage inequality in the U.S., and should we be concerned about it?
- Why is European unemployment so high?

The primary goal of the course is to develop your ability to study, analyze and ultimately reach informed opinions about the numerous policy questions that arise with respect to labor markets. To help develop this ability, we will study these policy issues drawing on economic models of labor markets, examination of the role of labor market institutions, and empirical evidence.

Prerequisite: Economics 110

Course materials: The required text is Ehrenberg and Smith, *Modern Labor Economics* (9th edition), which is available from the book store. Unless otherwise noted, material in the appendices of the textbook is optional. Please note that we will not cover all of the material in the textbook, nor is all of the material covered in class in the textbook. A course reading packet is available for students to pick up from the packet room in Seeley.

Course requirements: Students will be evaluated on the basis of class participation, problem sets and short policy memos, a midterm exam, and a scheduled final exam:

Class participation and attendance	10%
Problem sets (4)	10%
Policy memos (3)	15%
Midterm exam (Thursday, March 13)	25%
Final exam	40%

Problem sets: Four problem sets will be due during the semester, on the dates listed below. Complete problem sets must be turned in at the beginning of class on the due date. *Late problem sets will not be accepted under any circumstances.* To accommodate illness and unforeseen conflicts, I will drop the lowest score among your problem sets in the grade calculation. In other words, you must turn in three of the four problem sets; alternatively you can turn in all four problem sets and I will take the top three grades in calculating your problem set grade.

Policy memos: Policy memos are short (2 page) writing assignments designed to get you thinking critically about a policy issue, and to give you practice at concise analytical writing. The paper will consist of arguing for or against a specific policy, drawing on arguments and evidence presented in class, in the reading packet, and in the textbook. We will have a discussion of the issue addressed in the policy memo on the day you hand in the memos. You are welcome to discuss the policy memos with your classmates, but you must research and write them on your own. You are encouraged to utilize help from the writing tutors. You must write all three policy memos.

Honor code issues: It is often beneficial for students to work in groups on the problem sets, and I strongly encourage this. The most effective strategy is for each student to do the problem set on his or her own before meeting with the group, then to compare and discuss answers in the group meeting. Each student must write up the problem set independently, however; it is a violation of the Honor Code to copy another student's problem set. Students are also encouraged to discuss the policy memos with other students, but these assignments are expected to represent only the individual work of each student.

TENTATIVE DUE DATES FOR ECON 209:

Problem set 1	Thursday February 21
Policy memo 1	Thursday February 28 (welfare reform)
Problem set 2	Thursday March 6
Midterm exam	Thursday March 13
Policy memo 2	Thursday April 10 (immigration)
Problem set 3	Thursday April 17
Policy memo 3	Thursday April 24 (affirmative action)
Problem set 4	Monday May 1

Course outline and assigned readings

I. Introduction (Thursday Jan. 31)

- E&S, Ch. 1 and 2
- Gary Becker, *The Economic Approach to Human Behavior*, pp. 3 - 14.

II. Labor demand (Monday Feb. 4; Thursday Feb. 7)

- E&S, Ch. 3 and Ch. 4
- Cynthia Crossen, "Over Time, America Lost Its Bullwhackers," *Wall Street Journal*, Sept. 24, 2002

III. Labor supply (Monday Feb. 11; Thursday Feb. 14)

- E&S, Ch. 6
- "Can Tax Cuts Save the Global Economy? Ask a Cab Driver," *The Economist*, June 28, 2003

Policy application: the impact of the new welfare program

- David Wessel, "Poverty: The New Search for Solutions," *Wall Street Journal*, June 15, 2006
- Rebecca M. Blank, "Fighting Poverty: Lessons From Recent U.S. History," *Journal of Economic Perspectives*, Spring 2000
- David Ellwood, "Anti-Poverty Policy for Families in the Next Century: From Welfare to Work – and Worries," *Journal of Economic Perspectives*, Winter 2000

IV. Labor supply over time: retirement and fertility (Monday, Feb. 18; Thursday Feb. 21)

- E&S, Ch. 7
- Steven E. Landsburg, "Microwave Oven Liberation," *Slate*, January 4, 2001
- Stephen J. Dubner and Steven D. Levitt, "Laid-Back Labor," *New York Times Magazine*, May 6, 2007
- Eduardo Porter, "Stetched to Limit, Women Stall March to Work," *New York Times*, March 2, 2006

Application: causes and consequences of high fertility rates in poor countries

- Partha S. Dasgupta, "Population, Poverty and the Local Environment," *Scientific American*, February 1995.

V. Labor market equilibrium (Thursday Feb. 22; Monday Feb. 25)

- Lawrence M. Kahn, “The Sports Business as a Labor Market Laboratory,” *Journal of Economic Perspectives*, Summer 200, pp. 75 - 83.

Policy application: the minimum wage debate

- Robert Barro, “Higher Minimum Wage, Higher Dropout Rate,” *Wall Street Journal*, January 11, 1996
- “How to Make the Poor Poorer,” Gary S. Becker and Richard A. Posner, *Wall Street Journal*, January 26, 2007
- “A Blunt Instrument,” *The Economist*, October 28, 2006

VI. Compensating differentials: someone has to do the dirty work (Thursday Feb. 28)

- E&S, Ch. 8
- Kevin Helliker, “They Left Professions For a True Calling as Personal Trainers,” *Wall Street Journal*, February 25, 1999

VII. The economics of schooling and training: does all the toil and trouble pay off?
(Monday March 3; Thursday March 6; Monday March 10)

- E&S, Ch. 9
- E&S, Appendix 1A

Policy application: does spending more money improve student performance?

- David Card and Alan B. Krueger, “School Resources and Student Outcomes: An Overview of the Literature and New Evidence from North and South Carolina,” *Journal of Economic Perspectives*, Fall 1996.
- Virginia Postrel, “Smaller Class Sizes Don’t Necessarily Equal Better Education,” *New York Times*, Feb. 22, 2001
- James J. Heckman, “Catch ‘em Young,” *Wall Street Journal*, Jan. 10, 2006

Policy application: how effective are job training programs?

- Robert J. LaLonde, “The Promise of Public Sector-Sponsored Training Programs,” *Journal of Economic Perspectives*, Spring 1995

MIDTERM EXAM: THURSDAY, MARCH 13

VIII. Labor mobility (Monday March 31; Thursday, April 3)

- E&S, Ch. 10 (skip pp. 343 - 350)

Policy application: immigration

- John Tierney, “The Manicure Menace,” *New York Times*, May 30, 2006
- Pia Orrenius, “The Impact of Immigration,” *Wall Street Journal*, April 25, 2006
- Richard B. Freeman, “People Flows in Globalization,” *Journal of Economic Perspectives*, Spring 2006
- “Outward Bound,” *The Economist*, September 28, 2002.

IX. Labor market contracts (Monday April 7; Thursday, April 10)

- E&S, Ch. 11
- Austan Goolsbee, “Where the Buses Run on Time,” *Slate*, March 16, 2006
- Lawrence M. Kahn, “The Sports Business as a Labor Market Laboratory,” *Journal of Economic Perspectives*, Summer 200, pp. 89 - 92.
- Steven D. Levitt and Stephen J. Dubner, “Why Do Drug Dealers Still Live With Their Moms?” Ch. 3, *Freakonomics*.

Why do CEOs earn so much money? Should they?

- “Taken For a Ride,” *The Economist*, July 13, 2002
- Daniel Altman, “How to Tie Pay to Goals, Instead of Stock Price,” *New York Times*, September 8, 2002.
- Tyler Cowen, “A Contrarian Look at Whether U.S. Chief Executives Are Overpaid,” *New York Times*, May 18, 2006

X. Discrimination (Monday April 14; Thursday, April 17; Monday, April 21)

- E&S, Ch. 12
- Mark Doms and Ethan Lewis, “The Narrowing of the Male-Female Wage Gap,” *Federal Reserve Bank of San Francisco Economic Letter*, June 2007
- David Neumark, “Sex Discrimination in Restaurant Hiring: An Audit Study,” *Quarterly Journal of Economics*, 1996
- Lawrence M. Kahn, “The Sports Business as a Labor Market Laboratory,” *Journal of Economic Perspectives*, Summer 200, pp. 83 - 86.

Policy application: the affirmative action debate

- Jonathan S. Leonard, “The Impact of Affirmative Action Regulation and Equal Employment Law on Black Employment,” *Journal of Economic Perspectives*, Fall 1990
- Roland G. Fryer Jr. and Glenn C. Loury, “Affirmative Action and Its Mythology,” *Journal of Economic Perspectives*, Summer 2005

XI. Unions: what do unions really do? (Thursday, April 24; Monday, April 28)

- E&S, Ch. 13

The state of unions in the U.S.

- Steven Greenhouse, "A Union Wins the Global Game," *New York Times*, October 6, 2002
- Gloria Goodale, "Writers' Strike: Fast-Changing Technology Complicates Talks Between Writers," *Christian Science Monitor*, November 6, 2006
- Gloria Goodale, "Writers' Strike: As Reruns Take Over Television, Eyes Shift to New Media," *Christian Science Monitor*, December 3, 2007

XII. The earnings distribution (Thursday, May 1; Monday, May 5)

- E&S, Ch. 14

The changing wage structure in the U.S. and other countries

- Laurent Belsie, "The Rise and Fall of the College Graduate Wage Premium," *NBER Digest*, January 2008.

Views on inequality

- Robert Frank and Phillip Cook, "Winner-Take-All Markets," Ch. 1 in *The Winner-Take-All-Society* (1995)
- Gary S. Becker, "Maybe the Earnings Gap Isn't Such a Bad Thing," *Business Week*, February 6, 1995
- David Wessel, "Moving Up: Challenges to the American Dream," *Wall Street Journal*, May 13, 2005

XIII. Unemployment (Thursday, May 8)

- E&S, Ch. 15

Policy application: The European unemployment problem

- Gilles Saint-Paul, "Why Are European Countries Diverging in Their Unemployment Experience?" *Journal of Economic Perspectives*, Fall 2004