Economics 209: Labor Economics  
Spring 2008  
[readings to be updated]

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Office hours: 
Monday 1:30 - 2:30 pm  
Tuesday 2 - 4 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 will also be available for students to pick up from Seeley within the next week.

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:

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Class participation and attendance</td>
<td>10%</td>
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<tr>
<td>Problem sets (4)</td>
<td>15%</td>
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<tr>
<td>Policy memos (3)</td>
<td>15%</td>
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<tr>
<td>Midterm exam (Thursday, March 13)</td>
<td>25%</td>
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<td>Final exam</td>
<td>35%</td>
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**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:**

<table>
<thead>
<tr>
<th>Assignment</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>Problem set 1</td>
<td>Thursday February 21</td>
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<tr>
<td>Policy memo 1</td>
<td>Thursday February 28 (welfare reform)</td>
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<tr>
<td>Problem set 2</td>
<td>Thursday March 6</td>
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<tr>
<td>Midterm exam</td>
<td>Thursday March 13</td>
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<tr>
<td>Policy memo 2</td>
<td>Thursday April 10 (immigration)</td>
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<td>Problem set 3</td>
<td>Thursday April 17</td>
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<tr>
<td>Policy memo 3</td>
<td>Thursday April 24 (affirmative action)</td>
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<td>Problem set 4</td>
<td>Monday May 1</td>
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Course outline and assigned readings

I. Introduction (Thursday Jan. 31)
   - E&S, Ch. 1 and 2

II. Labor demand (Monday Feb. 4; Thursday Feb. 7)
   - E&S, Ch. 3 and Ch. 4

III. Labor supply (Monday Feb. 11; Thursday Feb. 15)
   - E&S, Ch. 6
   - Policy application: the impact of the new welfare program

IV. Labor supply over time: retirement and fertility (Monday, Feb. 18; Thursday Feb. 22)
   - E&S, Ch. 7
   - Steven E. Landsburg, “Microwave Oven Liberation,” *Slate*, January 4, 2001
   - Application: causes and consequences of high fertility rates in poor countries

V. Labor market equilibrium (Thursday Feb. 22; Monday Feb. 25)
   - E&S, Appendix 9A
Policy application: the minimum wage debate


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?

Policy application: how effective are job training programs?

MIDTERM EXAM: THURSDAY, MARCH 13

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

- E&S, Ch. 10 (skip pp. 363 - 374)

Policy application: immigration
- “A Price Worth Paying?” *The Economist*, June 1, 2002
IX. Labor market contracts (Monday April 7; Thursday, April 10)

- E&S, Ch. 11
- 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

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

- E&S, Ch. 12

Policy application: the affirmative action debate

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

- E&S, Ch. 13 (skip pp. 480-485)

The state of unions in the U.S.
• Theo Stein, “Union Drive Divides Crane & Co. Workers,” Berkshire Eagle, February 20, 1999
• Diane E. Lewis, “Doctors Join Union to Fight Ills From HMOs,” Boston Globe, March 2, 1999

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

Views on inequality
• Gary S. Becker, “Maybe the Earnings Gap Isn’t Such a Bad Thing,” Business Week, February 6, 1995
• “Jobs and Wages Revisited,” The Economist, August 17, 1996

XIII. Unemployment (Thursday, May 8)

• E&S, Ch. 15

  Policy application: The European unemployment problem