

Economics 209: Labor Economics **Spring 2008**

[readings to be updated]

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

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:

Class participation and attendance	10%
Problem sets (4)	15%
Policy memos (3)	15%
Midterm exam (Thursday, March 13)	25%
Final exam	35%

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. 15)

- 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

- 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. 22)

- E&S, Ch. 7
- Sue Shellenbarger, "More Men Move Past Incompetence Defense to Share Housework," *Wall Street Journal*, February 21, 1996
- Steven E. Landsburg, "Microwave Oven Liberation," *Slate*, January 4, 2001

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)

- E&S, Appendix 9A
- 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
- “Not So Fair Pay,” *The Economist*, June 27, 1998

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.

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. 363 - 374)

Policy application: immigration

- George J. Borjas, *Heaven’s Door: Immigration Policy and the American Economy* (1999) (excerpt)
- “A Price Worth Paying?” *The Economist*, June 1, 2002
- Michael Lind, “Huddled excesses,” *The New Republic*, April 1, 1996
- Robert Wright, “Star search,” *The New Republic*, January 22, 1996
- “Outward Bound,” *The Economist*, September 28, 2002.

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

- E&S, Ch. 11
- 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?

- John M. Abov and David S. Kaplan, “Executive Compensation: Six Questions That Need Answering,” *Journal of Economic Perspectives*, Fall 1999
- “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.

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

- E&S, Ch. 12
- Christina Duff, “Out of Sight Keeps Women in Mind for U.S. Orchestra Spots, Study Finds,” *Wall Street Journal*, March 7, 1997
- David Neumark, “Sex Discrimination in Restaurant Hiring: An Audit Study,” *Quarterly Journal of Economics*, 1996
- “Race, Sex and the Dismal Science,” *The Economist*, June 6, 1998
- 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

- Bernard E. Anderson, “The Ebb and Flow of Enforcing Executive Order 11246,” *AEA Papers and Proceedings*, May 1996.
- Gary Becker, “End Affirmative Action As We Know It,” *Bus. Week*, Aug. 1995
- William M. Rodgers and William E. Spriggs, “The Effect of Federal Contractor Status on Racial Differences in Establishment-Level Employment Shares: 1979-1992,” *American Economic Review Papers and Proceedings*, May 1996
- Jonathan S. Leonard, “The Impact of Affirmative Action Regulation and Equal Employment Law on Black Employment,” *Journal of Economic Perspectives*, Fall 1990

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.

- Steven Greenhouse, “A Union Wins the Global Game,” *New York Times*, October 6, 2002

- 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

- Peter Gottschalk, “Inequality, Income Growth and Mobility: The Basic Facts,” *Journal of Economic Perspectives*, Spring 1997

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
- “Jobs and Wages Revisited,” *The Economist*, August 17, 1996

XIII. Unemployment (Thursday, May 8)

- E&S, Ch. 15

Policy application: The European unemployment problem

- Horst Siebert, “Labor Market Rigidities: At the Root of Unemployment in Europe,” *Journal of Economic Perspectives*, Summer 1997
- Stephen Nickell, “Unemployment and Labor Market Rigidities: Europe versus North America,” *Journal of Economic Perspectives*, Summer 1997