**Economics 140**

# LABOR ECONOMICS

**Tuesday and Thursday 9:00 – 10:15 a.m**

**COB 265**

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| **CONTACT INFORMATION** |
| *Instructor:* | Professor Rowena Gray |
| *Office:* | COB2 332 |
| *Email:* | rgray6@ucmerced.edu |
| *Office Hours:* | Tuesday 10:30 – 11:30 a.m.Wednesday 2:00 – 3:00 p.m. |
| *Course Website:* | I use Cat Courses to post materials for class. You are responsible for all announcements, assignments, and readings posted on the site. |

### COURSE DESCRIPTION

This course will cover the following topics:

1. Primer on Regression Analysis
2. Labor Supply Theory
3. Labor Demand Theory
4. Determination of Wages and Employment in the Labor Market: Immigration & Labor Mobility
5. Education and Earnings
6. The Wage Structure
7. Labor Market Discrimination

Each of these topics has received considerable attention in both the popular press and in the

economics profession. Despite much research, many of the questions sparked by these topics do not have a consensus answer.

The course is designed to familiarize you with these important questions in labor economics.

The course will cover basic institutional background and statistics on each issue, and develop

economic models relevant to the evaluation of each question. The most important goal is that

you learn to think critically about these and other economic topics and to apply economic theory and concepts in an effort to systematically answer these questions. In order to evaluate the questions you need to develop your research and problem solving skills. At the end of the course I hope that you will have developed the skills necessary to find unbiased answers to public policy questions.

**COURSE PREREQUISITES**

The prerequisite for this course is Intermediate Microeconomics (Economics 100). In presentation and testing of the course material, I will assume that you have a background in algebra, calculus, and statistics, which are required courses for the economics major (MATH11). You should have passed all of these courses with a grade of C- or higher. It is useful to have taken ECON110 prior to this class also.

**COURSE LEARNING OUTCOMES**

*Students should be able to:*

1. understand the theory of labor demand, supply and market equilibrium such that they can apply those concepts to the analysis of real-world policy changes.
2. understand core empirical methodologies used by applied microeconomists, with a view to critically evaluating academic papers and arguments found in popular media outlets.
3. give a competent oral presentation of an academic paper, working as part of a larger group with their peers to present information clearly and put it in the context of the wider course.
4. conduct a basic analysis of data pertaining to labor economics questions.

Thus this course develops all of the Program Learning Outcomes mentioned below.

**PROGRAM LEARNING OUTCOMES**

1. Describe the underlying economic incentives and tradeoffs associated with the decisions made by individuals, firms, international organizations and governments.
2. Apply economic concepts in analyzing policy debates and evaluating policy outcomes.
3. Design and conduct research that can inform managerial and economic policy making, including by collecting, analyzing and interpreting data using relevant software.
4. Demonstrate critical, evidence-based, thinking about economic phenomena, whether encountered in coursework or in media reports.
5. Communicate clearly and cogently in written and oral form.

### READINGS

I encourage you to read the newspaper or a periodical to keep up-to-date on current events.

*Required text:* George J. Borjas, *Labor Economics* (Seventh Edition), McGraw-Hill.

ISBN: 9780078021886. Previous editions should be acceptable.

*Further Reading*: Additional compulsory readings will be posted on UCM CatCourses. You may also like to consult a second textbook: Ehrenberg and Smith, *Modern Labor Economics* (Addison Wesley) which covers much of the same material as Borjas.

All readings are required unless otherwise stated.

**GRADING**

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

10% Online Quizzes (on Cat Courses, best 5/6)

10% Problem Sets (3)

20% Group Presentation and Write-up—grade will be 10% individual, 10% group performance

25% Midterm COB 265, March 7th in class

35% Final Exam COB 265, May 2nd in class

No extra credit will be given. No exceptions.

###### *Exam and Re-grade Policy:*

There will be no make-up exams. If you know now that you are unable to take the exams on the above dates you should drop the class. If you miss the midterm for an excusable reason then that portion of your grade will be reweighted towards the final.

If an administrative error has been made in calculating your grade (such as an arithmetic error in adding up your score), bring the error to my attention so that I can correct it.

Quizzes

There will be 6 quizzes assigned during the semester, to be completed on the CatCourses class website by 5pm on each due date. I will calculate your grade for this portion based on your top 5 quiz grades and there are no make up options.

Problem Sets

There will be three problem sets assigned throughout the semester. A hard copy must be turned in by the beginning of class on their due dates. Late assignments will automatically receive the lowest grade. Answers will be posted within 24 hours of the due date. Assignments will be graded on a✔,✔+ and ✔- basis. This will correspond in grading to 100% for a ✔+; 85% for a ✔; 75% for a ✔- and 0% for not turning in anything. Students may collaborate with others on the problem sets, but must turn in their own work. Students that turn in identical or unnaturally similar work will receive no credit for the assignment. Problem Sets 1 & 2 will consist of problems drawn from the book and beyond that should prepare students for similar questions on the exams. Problem Set 3 will involve using some data and the statistical package Stata (or similar) to answer questions pertinent to the course.

Group Presentation and Write-Up

I have included a presentation element because working as part of a team and the ability to understand, synthesize and present information to others is a key skill for the workplace. Each group will present an academic paper from an approved list set out below (and all available on UCM Cat Courses). You should form groups of four and notify me which paper your group will present (anybody joining the class later should contact me and will be assigned to a group) by the end of lecture on February 7th. The finalized schedule for presentations will then become available.

Each group will have 20 minutes in which to present, with an additional 5 minutes for questions and discussion. Presentations should incorporate some form of visual aid (I recommend Powerpoint) and each group is responsible for ensuring ahead of time that they bring the correctly formatted files that will function in our allotted classroom. A minimum of 2 group members must talk during the 20 minutes, and questions should then be fielded in the first place by any remaining members who have not yet spoken. The group’s performance will be evaluated based on the clarity of both the visual and spoken presentations as well as the ability to cover all details regarding the paper, including the main message, the methodology and data used and the main contributions of the paper in the context of our course. You should pay particular attention to how the paper fits in with the theory and methodologies we’ve learned in the course and to evaluating the paper critically. Presentations should reference other research relevant to the chosen topic.

Each student’s grade will be formed 50% of the group’s performance and 50% of their performance in a 1-page individual write-up of the paper, explaining its meaning using the same categories outlined above. The write-up must therefore very much be your own work and should not be written collaboratively with your group members. Anybody turning in write-ups that are too similar will be punished accordingly. During each presentation the audience will be asked to fill out a feedback sheet—your individual grade will be reduced if you fail to turn in a feedback sheet for each presentation. All papers on the list below are highly relevant to the course and therefore attendance and participation at your classmates’ presentations is very useful for your success in the course.

**Papers for Presentations**

*Labor Supply:*

1. Oettinger, Gerald S. (1999) “An Empirical Analysis of the Daily Labor Supply of Stadium Vendors” *Journal of Political Economy*, Vol. 107, No. 2: 360-392.
2. Camerer, Colin, Linda Babcock, George Loewenstein and Richard Thaler (1997) “Labor Supply of New York City Cabdrivers: One Day at a Time” *Quarterly Journal of Economics*, Vol. 112, No. 2: 407-441.

*Labor Market Equilibrium (Immigration):*

1. Hunt, Jennifer (1992) “The Impact of the 1962 Repatriates from Algeria on the French Labor Market” *Industrial and Labor Relations Review*, Vol. 45, No. 3: 556-572.
2. Spenkuch, Jorg L. (2014) “Understanding the Impact of Immigration on Crime” *American Law and Economics Review*, Vol. 16, No. 1: pp. 177-219.
3. Chalfin, Aaron (2014) “What is the Contribution of Mexican Immigration to U.S. Crime Rates? Evidence from Rainfall Shocks in Mexico” *American Law and Economics Review*, Vol. 16, No. 1: pp. 220-268*.*

*Education*:

6. Ashenfelter, Orley C. and Alan B. Krueger (1994) “Estimates of the Economic Return to Schooling from a New Sample of Twins” *American Economic Review*, Vol. 84: 1157-1173.

7. Duflo, Esther (2001) “Schooling and Labor Market Consequences of School Construction in Indonesia: Evidence from an Unusual Policy Experiment” *American Economic Review*, Vol. 91, No. 4: 975-813.

**CLASS PARTICIPATION**

Because many of the questions dealt with in this course have no “right” answer, we can all

learn from class discussion. Students are encouraged to be active participants in your education and come to class ready to discuss the readings and to ask questions. Please use my office hours, especially if you have questions about pursuing further study in economics.

**ATTENDANCE AND CLASS RULES**

Attendance at lectures is optional. You are responsible for all material covered and announcements made during class. Students that choose to attend class must be respectful. I ask that students show up on time and stay for the entirety of the lecture. I highly discourage using laptops to take notes. If you must take notes electronically, please talk to me during the first week. Otherwise, laptops, tablets, cell phones, or other items with “screens” are not allowed in class. During exams, students must leave bags at the front of the class and may have only their ID card, pens and pencils, rulers, erasers and a simple, non-programmable calculator on their desks. I remind you that you cannot record lectures without my permission. Please also address your emails to me in a professional way and use this as a learning experience for your future professional lives.

**ACADEMIC INTEGRITY AND HONOR CODE**

Cheating of any kind will not be tolerated in this class. Please consult UC Merced’s Standards of Conduct for full details of the university’s expectations regarding plagiarism and cheating. While I encourage students to work together on assignments, each person must turn in an individual assignment with their own work and writing. Similarly with quizzes and the individual portion of the group presentation. If I suspect that a student is cheating, I will submit the case to Student Judicial Affairs. Students found cheating in the class will receive harsh punishment. Finally, note that for your work submitted on Cat Courses I will use the Turnitin anti-plagiarism software. If you reference your sources appropriately then you will have no problems.

ADDITIONAL RESOURCES

### If you are a student with a disability who requires accommodations, please contact UC Merced’s Disability Services in SSB 230 or at disabilityservices@ucmerced.edu. If you have documentation of your existing accommodations, please alert me in the first 3 weeks of the semester. Tutoring and advice may also be available from the Bright Success Center or through DARTS: <http://learning.ucmerced.edu>.

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### By remaining enrolled in this course, you agree to all rules stated in the syllabus. I reserve the right to change assignments, due dates, and rules, but will provide at least one week’s notice to students. COURSE TIMETABLE

(Note: readings with a \* are considered optional, all other readings are compulsory. Extra readings on UCM Cat Courses are helpful, but can be considered optional).

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| **Introduction** 1/17/17 | Borjas, Chapter 1Additional Reading:* **Claudia Goldin (1994)** “Labor Markets in the Twentieth Century” NBER Working Paper 58.
* \***Daron Acemoglu (2012)** “The World our Grandchildren will Inherit: The Rights Revolution and Beyond” NBER Working Paper 17994.
 |
| **Topic 1: Primer on Regression Analysis**1/19/17**NOTE: Quiz 1 due 1/23/17** | Borjas, Chapter 1 Appendix |
| Topic 2: Labor Supply Theory1/24/17-1/31/17**NOTE:****Quiz 2 due 2/1/17****Problem Set 1 due 2/14/17** | Borjas, Chapter 2 & Mathematical Appendix 1Additional Reading:* **Guido W. Imbens, Donald B. Rubin and Bruce Sacerdote (2001)** “Estimating the Effect of Unearned Income on Labor Supply, Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players” *American Economic Review*, Vol. 91: 778-794.
* **Bruce D. Meyer and Dan T. Rosenbaum (2000)** “Making Single Mothers Work: Recent Tax and Welfare Policy and its Effects” *National Tax Journal*, Vol. 53, No. 4: 1027-1062.
 |
|  Topic 3: Labor Demand Theory 2/14/17-2/16/17**Deadline notify me of groups 2/7/17****NOTE: Quiz 3 due 2/22/17** | Borjas, Chapter 3 & Mathematical Appendix 3Additional Reading:* **David Card and Alan B. Krueger (1994)**

“Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania” *American Economic Review*, Vol. 84, No. 4: 772-792. |
| Topic 4: Determination of Wages and Employment in the Labor Market2/14/17-2/23/17**NOTE: Problem Set 2 due 2/28/17** | Borjas, Chapters 4 & 8Additional Reading:* **David Card (1990)**

“The Impact of the Mariel Boatlift on the Miami Labor Market” *Industrial and Labor Relations Review*, Vol. 43, No. 2: 245-257. |
| **Midterm** | Review on 3/2/17 (see questions posted on Cat Courses)Midterm in class on 3/7/17 covering Introduction plus Topics 1-4 |
| **Topic 5: Education and Earnings**2/28/17-3/16/17**NOTE: Problem Set 3 due 3/23/17** | Borjas, Chapter 6Additional Reading:* **Joshua D. Angrist and Alan B. Krueger (1991)**

“Does Compulsory School Attendance Affect Schooling and Earnings” *Quarterly Journal of Economics*, Vol. 106, No. 4: 979-1014.* **John Tyler, Richard Murnane, and John Willett (2000)**

“Estimating the Labor Market Signaling Value of the GED” *Quarterly Journal of Economics*, Vol. 115: 431-468.  |
| **Topic 6: The Wage Structure**3/21/17-3/23/17**NOTE: Quiz 4 due 3/27/17** | Borjas, Chapter 7Additional Reading:* **\*Alan B. Krueger (2005)**

“The Economics of Real Superstars: The Market for Rock Concerts in the Material World” *Journal of Labor Economics*, Vol. 23, No. 1: 1-30.* **Jerry A. Hausman and Gregory K. Leonard (1997)**

“Superstars in the National Basketball Association: Economic Value and Policy” *Journal of Labor Economics*, Vol. 15, No. 4: 586-624.* **Maarten Goos and Alan Manning (2007)**

“Lousy and Lovely Jobs: The Rising Polarization of Work in Britain” *Review of Economics and Statistics*, Vol. 89, No. 1: 118-133. |
| 4/4/17-4/11/17**NOTE: Quiz 5 due 4/17/17** | **CLASS PRESENTATIONS** |
| **Topic 7: Labor Market Discrimination**4/13/17-4/20/17**NOTE: Quiz 6 due 4/24/17** | Borjas, Chapter 9 |
| **Review for Final Exam: 4/25/17 & 4/27/17****FINAL EXAM (Comprehensive): 5/2/17** |

**Potential Sources for Supplementary Reading for Presentations & Write-Ups:**

You should search for articles similar to your assigned topic on JSTOR; Google Scholar; look at the bibliography of the assigned paper & the papers listed here on the syllabus. More information will be provided later in the course regarding presentations.