

Economics 76b: Labor Economics Spring 2010

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Course description: Economics 76b 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 have unions declined so much in the United States?

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 2a

Course materials: The required text is Ehrenberg and Smith, *Modern Labor Economics* (10th edition; the 9th edition may also be used), 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. Additional required readings for the course will be posted on LATTE.

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

Class participation and attendance	10%
Problem sets (4)	15%
Class debates	15%
Midterm exam (Friday March 12)	25%
Final exam (cumulative)	35%

Class participation: It is essential that you have done the readings before class and are prepared to actively participate in the class discussion about the readings. You will be graded on the quality of your comments and your ability to respectfully engage your fellow students.

Problem sets and exams: 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.

No make-up exams will be given in this course. Please note that absence from an exam will be excused **ONLY** for a serious illness or family emergency that is appropriately documented; otherwise a grade of zero will be assigned. There are **NO EXCEPTIONS** to this rule.

Special accommodations: If you are a student with a documented disability on record at Brandeis University and wish to have a reasonable accommodation made for you in this class, please see me immediately. Please keep in mind that reasonable accommodations are not provided retroactively.

Academic honesty: You are expected to be familiar with and to follow the University's policies on academic integrity (see <http://www.brandeis.edu/studentlife/sdje/ai/>). Instances of alleged dishonesty will be forwarded to the Office of Campus Life for possible referral to the Student Judicial System. Potential sanctions include failure in the course and suspension from the University. If you have any questions about my expectations, please ask. Academic dishonesty will not be tolerated.

TENTATIVE DUE DATES FOR ECON 76B:

Problem set 1	Friday Feb. 5
Debate 1	Friday Feb. 12 (minimum wage)
Problem set 2	Friday Feb. 26
Midterm exam	Friday March 12
Debate 2	Tuesday March 23 (immigration)
Problem set 3	Friday March 26
Problem set 4	Tuesday April 27
Debate 3	Friday April 30 (inequality)

Course outline and assigned readings

I. Introduction (Tuesday Jan. 19)

- E&S, Ch. 1 and 2

II. Labor demand (Friday Jan. 22; Tuesday Jan. 26)

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

III. Labor supply (Friday Jan. 29; Tues. Feb. 2)

- 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

- "Numbers on Welfare See Sharp Increase," Sara Murray, *Wall Street Journal*, June 22, 2009
- "Living on Nothing But Food Stamps," Jason DeParle and Robert M. Gebeloff, *New York Times*, Jan. 3, 2010

IV. Labor market equilibrium (Friday Feb. 5; Tuesday Feb. 9)

- E&S, Ch. 5 pp. 132 - 141.
- Lawrence M. Kahn, "The Sports Business as a Labor Market Laboratory," *Journal of Economic Perspectives*, Summer 2000, pp. 75 - 83.

Policy application: the minimum wage debate

- "What's a Minimum Wage Job Worth?" *Wall Street Journal*, April 1, 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

V. Labor supply over time: household production, labor force participation and retirement (Tuesday Feb. 23; Friday, Feb. 26)

- E&S, Ch. 7
- Steven E. Landsburg, "Microwave Oven Liberation," *Slate*, January 4, 2001

VI. Compensating differentials: someone has to do the dirty work (Friday, Feb. 26; Tuesday March 2)

- 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? (Tuesday March 2; Friday March 5; Tuesday March 9)

- 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

Policy application: how effective are job training programs?

- James J. Heckman, “Catch ‘em Young,” *Wall Street Journal*, Jan. 10, 2006
- Robert J. LaLonde, “The Promise of Public Sector-Sponsored Training Programs,” *Journal of Economic Perspectives*, Spring 1995

MIDTERM EXAM: FRIDAY MARCH 12

VIII. Labor mobility (Tuesday March 16; Friday March 19)

- E&S, Ch. 10

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
- “Outward Bound,” *The Economist*, September 28, 2002.

IX. Labor market contracts (Friday March 26; Friday April 9)

- 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 2000, pp. 89 - 92.

Why do CEOs earn so much money? Should they?

- Robert H. Frank, “Should Congress Put a Cap on Executive Pay?” *New York Times*, January 4, 2009
- Tyler Cowen, “A Contrarian Look at Whether U.S. Chief Executives Are Overpaid,” *New York Times*, May 18, 2006

X. Discrimination (Tuesday April 13; Friday April 16)

- E&S, Ch. 12
- 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 Econ. Perspectives*, 1990

XI. Unions: what do unions really do? (Tuesday April 20)

- 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, 2007

NO CLASS: FRIDAY APRIL 23

XII. The earnings distribution (Tuesday April 27)

- E&S, Ch. 15

Views on inequality

- 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 (Tuesday May 4)

- E&S, Ch. 14
- “U.S., Europe Are Ocean Apart on Human Toll of Joblessness,”