

This course applies economic theory to the operations of the labor market and shows how the influence of market forces is constrained by labor market institutions such as unions.

Required work: Five quizzes (top 4 count; 20% of grade), a midterm exam (February 27; 25% of grade), a final exam (May 1, 8-10 am; 25% of grade), and a group project researched and presented in class at the end of the semester (30% of grade). Project topics will be chosen early in the semester for groups of 3-6 students. These groups will meet during the semester to review progress, discuss material, and prepare the presentation. This project satisfies the "capstone" requirement for majors: if you're a senior and will use this course as your capstone, let me know.

Office Hours: Monday 2:00-3:00, Tuesday 9:30-10:15, and Thursday 1:30-2:30.

TA: Andrus Oks; Office Hours: Monday 1:00-2:00, Thursday 5:00-6:00 (JC 202A).

Text: Modern Labor Economics: Theory and Public Policy, by Ehrenberg and Smith (8th edition).

0. Background and Review
ES, Chap. 1,2.

I. Labor Demand

A. Marginal Product Theory

ES, Chap. 3.

B. Non-Competitive Situations

ES, Chap. 3.

C. Demand Elasticities

ES, Chap. 4.

Card and Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," American Economic Review, v. 84 (September 1994), pp. 772-793.

D. Hiring and Training Costs

ES, Chap. 5.

II. Labor Supply

A. Labor Force Participation

ES, Chap. 6.

B. Household and Life Cycle.

ES, Chap. 7.

C. Occupation and Job Choice

ES, Chap. 8.

Smith, Robert S., "Compensating Wage Differentials", Industrial and Labor Relations Review, v. 32, pp. 339-352 (April 1979).

D. Human Capital Theory

ES, Chap. 9.

Freeman, Richard B., "Overinvestment in College Training?", Journal of Human Resources, v. 10, pp. 287-311 (Summer 1975).

II. Labor Supply (cont.)

E. Worker Mobility

ES, Chap. 10.

Friedberg and Hunt, "The Impact of Immigrants on Host Country Wages, Employment and Growth," Journal of Economic Perspectives, v. 9 (Spring 1995), pp. 23-44.

III. Market Operation and Outcomes.

A. Compensation Structure

ES, Chap. 11.

Ewing and Payne, "The Trade-Off between Supervision and Wages: Evidence of Efficiency Wages from the NLSY", Southern Economic Journal, v. 66 (October 1999), pp. 424-432.

**** midterm exam ****

B. Discrimination

ES, Chap. 12.

Leonard, "What Promises are Worth: The Impact of Affirmative Action Goals", Journal of Human Resources, 1985 (v. 20, pp. 1-20).

C. Unemployment

ES, Chap. 15.

Nickell, "Unemployment and Labor Market Rigidities: Europe versus North America", Journal of Economic Perspectives, (Summer 1997), pp. 55-74.

D. Earnings Inequality

ES, Chap. 14.

Topel, "Factor Proportions and Relative Wages: The Supply-Side Determinants of Wage Inequality," Journal of Economic Perspectives, (Spring 1997), pp. 55-74.

IV. Unions

A. Introduction: Are Unions Good or Bad?

Freeman and Medoff, "The Two Faces of Unionism", The Public Interest, no. 57 (Fall 1979), pp. 69-93.

Hutt, "The Face and Mask of Unionism", Journal of Labor Research, v. 4 (Summer 1983), pp. 197-211.

B. Labor Union History and Union Law

Economics of the Employment Relationship, by Flanagan, Kahn, Smith, and Ehrenberg, Chap. 10-11.

NLRB Case Readings; National Labor Rights Act.

C. Bargaining, Strikes, and the Union Wage Effect

ES, Chap. 13.

D. Public Sector Unions

Freeman, "Contraction and Expansion: The Divergence of Private Sector and Public Sector Unionism in the United States," Journal of Economic Perspectives, v. 2, (Spring 1988), pp. 63-88.