

Econ 45: Labor Economics (MWF 9:30-10:20 Kohlberg 230)

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OFFICE HOURS: M 2:30-3:30PM, W 12:30-1:30PM or by appointment

Please come by my office to discuss the course, especially if you feel you are falling behind. Note that I have a friendly dog (George) that I found on the street in Kenya; he spends most days in my office. If you are allergic or for any reason uncomfortable around dogs, I am more than happy to leave him at home or meet with you elsewhere.

Note that e-mail is not a replacement for office hours. I encourage you to come to office hours, because for anything remotely complicated, it works a lot better to discuss things in person. Also, please, please, please be certain to never use any texting or leetspeak abbreviations when communicating via e-mail, and please begin all course-related subject lines with "ECON 45" so I can easily identify your e-mails. Please do your best to avoid asking questions via e-mail that are already answered on the syllabus. Please use the e-mail listed above and not any of my other addresses you may be able to find on the Internet.

OVERVIEW:

Should the minimum wage be raised? Why are unions less common in the US than Europe, and would US workers be better off with higher unionization? This course will attempt to answer these questions using economic theories describing the supply of and demand for labor in the marketplace. Unemployment, the minimum wage, immigration, unions, discrimination, wage inequality, the effect of schooling on earnings, and decisions that affect labor force participation (such as fertility and retirement) will all be discussed.

You may notice that several of these policies (immigration and the minimum wage are perhaps the most obvious examples) are currently up for debate in Congress. I think this means the topics covered in the class are relevant, interesting, and possibly even exciting. To maximize relevance to policy and the real world, theoretical models (mostly from the Ehrenberg and Smith textbook) will be compared to the most up to date empirical findings (journal articles and other readings listed on the syllabus) to test the value of the models. Thus this course could end up being fairly empirical in nature.

A PERSONAL NOTE:

You may find me to be sarcastic, or even cynical. I do not mean to offend; I generally just think life is better with a little humor added. I will do my best to mock only myself, but if you find something I say personally offensive, please let me know. As adults, this is the best way to deal with a personal problem—discuss the concern

directly with the individual with whom you have the concern, rather than letting it stew, or rather than going around them to an authority figure.

Also, there is no use trying to hide the fact that I have strong political opinions. I think openness is a better policy than trying (and failing) to hide one's point of view. That being said, I respect students who disagree and voice their opinion. Disagreeing will not affect your grade, as grades in this class will be based on correct mathematics or expression of logical arguments, and not whose campaign sticker you have on your laptop.

PREREQUISITES: The only prerequisite for this course is Econ 1. No math from Econ 31, 35, or other math and statistics course is a prerequisite, and any such math used will be covered in class. That being said, I believe it is unavoidable that those who have already had such classes will have a slightly easier time with that portion of the material. Also, it is my general opinion that you will be much more likely to get a job based on your ability to work with actual data than on your ability to draw linear supply and demand curves. The world is an increasingly data-driven place, and I don't believe you can accurately determine whether a labor program is cost-effective without using data. Thus, this course will be somewhat statistical in nature, and you will have to learn to use the statistical analysis software Stata for several homework assignments.

("If you are looking for a career where your services will be in high demand, you should find something where you provide a scarce, complementary service to something that is getting ubiquitous and cheap. So what's getting ubiquitous and cheap? Data. And what is complementary to data? Analysis. So my recommendation is to take lots of courses about how to manipulate and analyze data: databases, machine learning, econometrics, statistics, visualization, and so on."—[Hal Varian, UC Berkeley, Chief Economist at Google](#))

Finally, please do not expect this course to be easy because there is only one prerequisite.

REQUIRED TEXTS:

Modern Labor Economics: Theory and Public Policy, 11/E; By Ronald G. Ehrenberg, Robert S. Smith; ISBN-10: 0132540649, ISBN-13: 9780132540643; Published by Prentice Hall; Publisher Website:
<http://www.mypearsonstore.com/bookstore/product.asp?isbn=0132540649>

OTHER RECOMMENDED SOURCES:

Paul Krugman's Blog: <http://krugman.blogs.nytimes.com>
Matthew Yglesias' Blog: <http://www.slate.com/blogs/moneybox.html>

COURSE POLICIES:

ASSIGNMENTS:

- 1) Attendance 5%
- 2) Quizzes, Reading Responses: 20%
- 3) Problem Sets 20%
- 4) Midterm: 25%
- 5) Final: 30%

1) Attendance will be taken regularly. No one can force you to attend class, but not doing so is likely to harm your grade. If you need to miss a day, arrive late, or leave early, I very much appreciate you letting me know that beforehand. I will do my very best to be on time and prepared for class, and to let you out on time, and I expect the same respect in return.

2) (Nearly) every week you will have a short in-class quiz, or a written response will be required for readings. You must be present in class to take the quiz, and absolutely no make-ups are available. Reading responses are due at the *beginning* of class, and late work is not accepted. Each of these responses/quizzes will be worth the same amount (10 points). Your lowest score in this category will be dropped. These may be graded in a check plus/check/check minus/zero fashion (10/7/3/0) if appropriate.

3) There will be 5 problem sets throughout the semester. They will be mathematical in nature, either empirical, which will require you to use the statistical software Stata to analyze data, or algebraic, requiring you to do a bunch of math by hand. Each of these assignments will be worth 20 points and will be graded for correctness of each problem. Your lowest score in this category will be dropped. These will likely be due at the beginning of pre-determined class periods as well.

You should not expect these to be easy. You should not expect to be able to finish these in just a couple hours the night before it is due. Though some fraction of them may be on material that is not covered until one or two days of class before the assignment is due, that is not a good reason to not plan ahead and due the rest of the assignment ahead of time. You should expect that every once in a while you will have multiple assignments, even multiple assignments for this very class, due at the same time. Plan ahead.

4 & 5) The midterm will be held in class on Friday October 11. Make-ups are only provided for documented emergencies. The final exam will be held during the regularly scheduled time, and no make-ups are available. I am 100% serious about this. Basically, students will take the midterm and the final at the scheduled time, OR NOT AT ALL AND RECEIVE A ZERO.

If you take serious issue with the grading of your midterm exam, you may submit an appeal. You must, however, submit a written appeal within one week of the class receiving their graded exams back. (Your being absent on the day the class receives them back does *not* extend your appeal period.) If you submit such an appeal, I have

the option of re-grading your *entire* exam, and not just the question with which you take issue.

If, on the other hand, I made a simple arithmetic error in adding up your points, I will be more than happy to correct that immediately.

LATE WORK:

Late assignments will *absolutely* not be accepted, and instead the lowest score will be dropped for all students in the quiz/readings category and separately in the problem sets category. I am absolutely serious about this. I don't accept late work. Everyone gets sick or has an accident eventually. Instead of having to verify your accident or illness, and having to compare it to other student's illnesses, I instead do not accept *any* excuses, and prefer to extend the same uniform level of mercy to all students: your lowest reading response/quiz and your lowest homework score get dropped. (Note that it is not a good idea to deliberately not do the first assignment because you can drop one.)

All assignments are to be turned in in hard copy. Electronic submissions are not accepted, except as a time-stamp on your work on *rare* occasions. If you are granted this, again, *rare* exemption, you are still to get me a physical copy ASAP.

GRADING:

Letter grades will be determined in a relative fashion. That is, the course will be curved, and there is no pre-determined number of points one needs in order to get a certain grade. If past experience is any indicator, roughly 1/3 of students will receive an "A" of some sort, 1/3 a "B" of some sort, and 1/3 a "C" of some sort. A "D" or a "NC" is also a very real possibility, despite not fitting into the previous equation. I am under no obligation to stick to this curve if students all do significantly better/worse than this.

PLAGIARISM:

Plagiarism is a serious academic offense and will result in harsh penalties. Read Professor's O'Connell's econ-specific guide here:

<http://www.swarthmore.edu/SocSci/soconne1/documents/plagiarism.pdf>

and the college's general writing guide here:

<http://www.swarthmore.edu/academics/writing-program/student-resources/paraphrasing-and-citation.xml>

Working together on readings or homework assignments (not exams) with classmates is encouraged. Wholesale copying is cheating, however. All students must submit their own copy of all assignments, *and must indicate the names of those with whom they collaborated*. Serious violations will be reported to the College Judiciary Committee.

ACCOMODATIONS:

If you believe that you need accommodations for a disability, please contact Leslie Hempling in the Office of Student Disability Services (Parrish 130) or email

lhempli1@swarthmore.edu to arrange an appointment to discuss your needs. Leslie Hempling is responsible for reviewing and approving disability-related accommodation requests. As appropriate, she will issue students with documented disabilities an Accommodation Authorization Letter. Since accommodations require early planning and are not retroactive, please contact her as soon as possible. For details about the Student Disability Service and the accommodations process, visit <http://www.swarthmore.edu/student-life/academic-advising-and-support/student-disability-services.xml>. You are welcome to contact me privately to discuss your academic needs. However, all disability-related accommodations must be arranged through Leslie Hempling in the Office of Student Disability Services.

SCHEDULE AND READINGS:

You are generally responsible for all material on the syllabus, though quizzes and exams will invariably focus on material in proportion to its discussion in class, and material marked with asterisks is optional. ES refers to the Ehrenberg and Smith textbook. Many of the other readings in this course are peer-reviewed academic journal articles of a technical nature. It is valuable to see the original work that inspires easier-to-read popular press books, but don't worry, you are not expected to be able to comprehend such articles from beginning to end.

Week 1 (Sep 2,4,6)

Introduction

ES 1,2

Week 2 (Sep 9,11,13)

Labor Demand

ES 3, Appendix

Week 3 (Sep 16,18,20)

Labor Demand Elasticities, Minimum Wage

ES 4

David Card, Alan B. Krueger. Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania. *American Economic Review*, Vol. 84, No. 4, pp. 772-793, September 1994.

Dube, Arindrajit, T. William Lester, and Michael Reich. "Minimum wage effects across state borders: Estimates using contiguous counties." *The review of economics and statistics* 92.4 (2010): 945-964.

** Neumark, David, and William Wascher. "Minimum wages and employment: A case study of the fast-food industry in New Jersey and Pennsylvania: Comment." *The American Economic Review* 90.5 (2000): 1362-1396.

** Card, David, and Alan B. Krueger. "Minimum wages and employment: a case study of the fast-food industry in New Jersey and Pennsylvania: reply." *The American Economic Review* 90.5 (2000): 1397-1420.

Week 4 (Sep 23,25,27)

Monopsony, Labor Market Frictions
ES 5

Week 5 (Sep 30, Oct 2,4)

Labor Supply
ES 6

Week 6 (Oct 7,9,11)

Review

Midterm 1 October 11 in class

Week 7 (Oct 14,16,18) Fall Break, NO CLASS

Week 8 (Oct 21,23,25)

Household/family/life cycle
ES 7

Week 9 (Oct 28, 30, Nov 1)

Compensating Differentials
ES 8, Appendix

Gertler, Paul, Manisha Shah, and Stefano M. Bertozzi. "Risky business: the market for unprotected commercial sex." *Journal of Political Economy* 113.3 (2005): 518-550.

Week 10 (Nov 4,6,8)

Human Capital (Education)
ES 9

Angrist, Joshua D., and Alan B. Krueger. "Does compulsory school attendance affect schooling and earnings?." *The Quarterly Journal of Economics* 106.4 (1991): 979-1014.

Week 11 (Nov 11,13,15)

Migration/Immigration
ES 10

NYTimes on Immigration: "Immigration Equation" Roger Lowenstein, July 9, 2006.
<http://www.nytimes.com/2006/07/09/magazine/09IMM.html>

CARD, DAVID. "THE IMPACT OF THE MARIEL BOATLIFT ON THE MIAMI LABOR MARKET." *Industrial and Labor Relations Review* 43.2 (1990): 245-257.

WSJ Article by Borjas:

(Enter "For a few dollars less wall street journal George Borjas" into google to get past the paywall) <http://online.wsj.com/article/SB114532411823528296.html>

Matthew Yglesias on Borjas:

(1)http://www.slate.com/blogs/moneybox/2013/04/22/immigration_raises_american_income.html

(2)http://www.slate.com/blogs/moneybox/2013/04/18/strange_moral_calculus_of_low_skilled_immigration.html

Ottaviano, Gianmarco IP, and Giovanni Peri. "Rethinking the effect of immigration on wages." *Journal of the European Economic Association* 10.1 (2012): 152-197.

**Foged and Peri. Immigrants and Native Workers: New Analysis Using Longitudinal Employer-Employee Data. NBER Working Paper No. 19315

Week 12 (Nov 18,20,22)

Gender, Race, and Ethnicity, Discrimination

ES 12, Appendix

BERTRAND, MARIANNE, and SENDHIL MULLAINATHAN. "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *The American Economic Review* 94.4 (2004): 991-1013.

Goldin, Claudia and Cecilia Rouse. "Orchestrating Impartiality: The Impact Of 'Blind' Auditions On Female Musicians," *American Economic Review*, 2000, v90(4,Sep), 715-741.

Week 13 (Nov 25, 27) NO CLASS Nov 29

Unions

ES 13

DiNardo, John, and David S. Lee. "Economic impacts of new unionization on private sector employers: 1984–2001." *The Quarterly Journal of Economics* 119.4 (2004): 1383-1441.

Lee, David S., and Alexandre Mas. "Long-run impacts of unions on firms: New evidence from financial markets, 1961–1999." *The Quarterly Journal of Economics* 127.1 (2012): 333-378.

Week 14 (Dec 2,4,6)

Unemployment, Inequality

ES 14, 15

Emmanuel Saez. "The Top 1 Percent in International and Historical Perspective" with Facundo Alvaredo, Tony Atkinson and Thomas Piketty, *Journal of Economic Perspectives* 27(3), 2013, 3-20

Greg Mankiw "Defending the One Percent" same *JEP* as above.

NYTimes articles on Emmanuel Saez:

(1)<http://www.nytimes.com/2012/04/17/business/for-economists-saez-and-piketty-the-buffett-rule-is-just-a-start.html>

(2)<http://www.nytimes.com/2013/02/16/business/economy/income-gains-after-recession-went-mostly-to-top-1.html>

Week 15 (Dec 9) Friday schedule

Review

Final Exam: At regular officially scheduled time, Dec 13-21. TBA.

Will be posted by registrar at:

<http://www.swarthmore.edu/Admin/registrar/finalexam.html>