

**Economics 150A
Labor Economics**

Course Overview and Objectives:

This is the first of two courses in undergraduate labor economics at UC Santa Barbara. The course focuses on theoretical and empirical analyses of employment and wage determination in the labor market. Topics will include labor supply and demand, the impact of welfare programs, minimum wages, and unemployment.

As a pre-requisite, students should have a good understanding of basic microeconomic theory (including indifference curves, isoquants and budget constraints), and of basic descriptive statistics and regression analysis.

At the end of the quarter, students will be expected to be familiar with the important features of the U.S. labor market (institutions and stylized facts), and have a good comprehension of theoretical and empirical approaches to labor market issues.

Course Time: Monday and Wednesday 2:00-3:15 in HSSB 1173

Home Page: <http://www.econ.ucsb.edu/~olivier/econ150a/econ150a.html>

Office Hours: Tuesday 3:00-4:30, 2050 North Hall

Textbook: George J. Borjas, *Labor Economics*, (Fourth Edition) 2007, Irwin McGraw-Hill.
Other readings will be available online through the class homepage.

Grading: Final grades will be calculated as follows:
30% Midterm exam (in class, February 20th)
50% Final exam (covering all course material, held during the examination period)
20% 2 problem sets (due on February 6th and March 5th)

The examinations will be composed of analytical exercises and true/false/explain type of questions. Sample questions from old exams will be provided. In order to prepare for the examinations, it is essential to work hard and understand the problem sets. Also, it is a good idea to go over the questions contained at the end of each chapter in the textbook.

- **The problem sets will be due in class on February 6th and March 5th.**
- **All problem sets must be handed-in typed (figures and graphs can be done by hand).**
- **Late problem sets will not be accepted and will receive a grade of 0.**
- **There will be no make-up exam (either for the midterm or final). Students who miss any exam will receive a grade of 0.**

Economics 150A: Required Readings and Tentative Class Schedule.

- Jan 7:** **Introduction to Labor Economics and Application of Regression Analysis**
Readings: Borjas Chapter 1 (pp. 1-20)
- Jan 9 – Jan 23:** **Basic Model of Labor Supply**
Readings: Borjas Chapter 2 (pp. 21-50)

Imbens Guido, Donald Rubin, and Bruce Sacerdote (2001): “Estimating the Effect of Unearned Income on Labor Earnings, Savings, and Consumption: Evidence from a Survey of Lottery Players,” *American Economic Review*, 91: 778-794.
- Jan 28 – Jan 30:** **Work Incentive Effects of Welfare Programs and Earned Income Tax Credit**
Readings: Borjas Chapter 2 (pp. 55-65)
- Feb 4 – Feb 11:** **Additional Topics in Labor Supply: Retirement, Model of Household Production, Fertility and Family Labor Supply**
Readings: Chapter 3 (pp. 78-101)

Angrist, Joshua and William Evans (1998): “Children and Their Parents’ Labor Supply: Evidence from Exogenous Variation in Family Size,” *American Economic Review*, 88: 450-477.
- Feb 13:** **Labor Demand Theory (beginning)**
Readings: Borjas Chapter 4 (pp. 105-130)
- Feb 20:** **In Class Midterm Exam**
- Feb 25 – Feb 26:** **Labor Demand Theory (continued)**
Readings: Borjas Chapter 4 (pp. 105-130)
- Feb 26 – Mar 5:** **Equilibrium in a Competitive Labor Market**
Readings: Borjas Chapter 5 (pp. 163-196)

Card, David (1990): "The Impact of the Marial Boatlift on the Miami Labor Market," *Industrial and Labor Relations Review*, 43: 245-257.

Card, David and Alan Krueger (1994): "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, 84: 772-793.
- Mar 10:** **Equilibrium in a Noncompetitive Labor Market: Monopsony**
Readings: Borjas Chapter 5 (pp. 199-207)
- Mar 12:** **Unemployment**
Readings: Borjas Chapter 13 (pp. 486-525)