

**Economics 150B  
Labor Economics**

**Course Overview and Objectives:**

This course is the second of two courses in undergraduate labor economics at UC Santa Barbara. It focuses on theoretical and empirical analyses of employment and wage determination in the labor market. Topics will include educational choices, estimating the payoff to schooling, labor unions, labor market discrimination, earnings inequality, and other aspects of the wage structure.

As a pre-requisite, students should have a good understanding of basic microeconomic theory (including indifference curves, isoquants and budget constraints), of descriptive statistics, and of basic 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:** Tuesdays and Thursdays, 3:30 – 4:45, TD 2600 ('Theater and Dance' Building)

**Home Page:** <http://www.econ.ucsb.edu/~olivier/econ150b/econ150b.html>

**Office Hours:** Wednesday 1:30-3:00, 2050 North Hall

**Textbook:** George J. Borjas, *Labor Economics*, (Fifth Edition) 2009, Irwin McGraw-Hill.  
Other readings will be available online through the class homepage.

**Grading:** Final grades will be calculated as follows:  
40% Midterm exams, see explanations below  
60% Final exam (covering all course material, held during the examination period)

There will be 3 in-class midterm examinations. Each will count for 20%. In order to assign the final grade for the class, I will count the 2 best midterms, plus the final.

I will post some of the midterm questions in advance on the class website. Answer keys for the practice questions will not be provided.

The examinations will be composed of analytical exercises, questions about the readings, and true/false/explain type of questions.

• **There will be no make-up exam (either for the midterms or final). Students who miss any exam will receive a grade of zero for that exam.**

• **Students must make an effort to write legibly on their exam answer sheet. If I cannot read your answer, you will receive no credit for it.**

**Economics 150B: Required Readings and Tentative Class Schedule.**

**Jan 5: Introduction to Labor Economics and Review of Labor Supply and Demand**

Readings: Borjas, Chapter 1 (pp. 1-20)

**Jan 7 – Jan 19: Compensating Wage Differentials**

Readings: Borjas, Chapter 5 (pp. 205-235)

Hersch, Joni (1998): “Compensating Differentials for Gender-Specific Injury Risks,” *American Economic Review*, 88: 598-607.

**Jan 21: Midterm #1**

**Jan 26 – Feb 11: Human Capital I: Economics of Education**  
**Jan 26: (A) Neoclassical Model of Educational Investments**

Readings: Borjas, Chapter 6 (pp. 236-250)

**Jan 28: (B) Estimating the Economic Return to Education**

Readings: Borjas, Chapter 6 (pp. 250-259)

Ashenfelter, Orley and Cecilia Rouse (2000): “Schooling, Intelligence and Income in America,” in *Meritocracy and Economic Inequality*, edited by K. Arrow, S. Bowles and S. Durlauf, Princeton University Press, Princeton NJ.

**Feb 2: (C) School Quality**

Readings: Dale, Stacy and Alan B. Krueger (1998): “Estimating the Payoff to Attending a More Selective College: An Application of Selection on Observables and Unobservables,” *Quarterly Journal of Economics*, 117: 1491-1528.

**Feb 4: (D) Education as a Signal**

Readings: Borjas, Chapter 6 (pp. 262-268)

**Feb 9 – Feb 11: Human Capital II: Job Training**

Borjas, Chapter 6 (pp. 268-286)

**Feb 16: Midterm #2**

**Economics 150B: Required Readings and Tentative Class Schedule, Continued.**

**Feb 18-25: Labor Market Discrimination**

Readings: Borjas, Chapter 9

Kahn, Lawrence M., and Peter D. Sherer (1988): "Racial Differences in Professional Basketball Player's Compensation," *Journal of Labor Economics*, 6: 40-61.

**Mar 2 – Mar 11: Labor Market Mobility: Migration and Immigration (Not in Midterm 3)**

Readings: Borjas, Chapter 8

**March 4: Midterm #3**

**March 9: Continuation of Labor Market Mobility**

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

**Mar 11: Changes in Earnings Inequality in the U.S.: Facts and Potential Explanations  
(To Be Determined Depending on Class Time Remaining)**

Borjas, Chapter 7