

University of California- Santa Barbara

**Economics 150: Labor Economics**

<http://www.econ.ucsb.edu/~pjkuhn/Ec150/Ec150home.html>  
Course Outline and Reading List

This course is an introductory survey of labor economics. We begin by developing simple theoretical models of labor supply, demand and their interaction. Then we apply these models to issues of current policy interest, including welfare and work incentives, the effects of immigration on the economy, and the determinants of wage inequality.

Familiarity with basic microeconomic theory, including cost curves, isoquants and indifference curves is presupposed, as is a knowledge of basic descriptive statistics. While not formally required, some knowledge of econometrics --in particular, regression analysis-- will prove very helpful. This is because most applied research in labor economics uses regression analysis.

Evaluation in the course will consist of an in-class midterm and a final exam. Test dates and weighting are:

Term Test	Monday February 12	40%
Final exam	examination period	60%

The mid-term test will consist of true/false/explain questions and analytical problems. The final will consist of these **plus** an essay question. If you miss the term test for any reason, the final exam will count for 100% of your grade.

During the term I will distribute voluntary *practice questions* for the test and exam. It is **strongly recommended** that you work through these questions *without looking ahead at the answers* in order to prepare for the exams. Do this **well in advance** of the exams, because the material can seem deceptively simple. Calculators are permitted in the test and final exam.

The course text is Borjas, G. Labor Economics. (2<sup>nd</sup> edition) New York: McGraw-Hill, 2000. The lectures will not follow the text slavishly: the text functions as background to the lectures. Additional readings are articles from economics journals. These tend to be more technical; you should not expect to understand everything in them. They are included to give you a sense of how actual research is done in labor economics. They will be discussed in class; questions about their methods and findings will appear on the exam.

Most of the journal articles considered in this course are available on the web from any computer in the UCSB domain. Please see the instructions at the end of this reading list for help in finding them. Bound copies of the journals are also available on a non-circulating basis in Davidson Library. Finally, one hard copy of each journal article is on two-hour reserve in Davidson library.

## I. INTRODUCTION TO LABOR ECONOMICS

Borjas, chapter 1.

## II. LABOR SUPPLY

### 1. Basics:

#### (a) Theory

Borjas, pp. 25-46

#### (b) Evidence

Borjas, pp. 12-19 (summary of regression analysis), and 46-51

Imbens, G., D. Rubin, and B. Sacerdote, "Supply, Earnings, Savings and Consumption: Evidence from a Survey of Lottery Players" NBER Working Paper No. 7001, March 1999. **(NBER 7001)**

Battalio, R., L. Green, and J. Kagel, "Income-Leisure Tradeoffs of Animal Workers", American Economic Review 71(4) (September 1981): 621-632.

### 2. Applications:

#### (a) Trends in Hours and Weeks of Work, and in Labor Force Participation.

Borjas, pp. 20-25, 51-55

Juhn, C. "The Decline of Male Labor Force Participation: the role of declining market opportunities", Quarterly Journal of Economics, Feb. 1992. **(JSTOR)**

Blau, F. "Trends in the Well-Being of American Women, 1970-1995" Journal of Economic Literature, March 1998. **(NBER 6206)**

#### (b) Work Incentive Effects of Government Programs

Borjas, pp. 55-65, 85-87.

Eissa, N. and J. Liebman, "Labor Supply Response to the Earned Income Tax Credit". Quarterly Journal of Economics 111 (May 1996): 605-637. **(NBER 5158) CDL**

Klerman, J. A. and A. Liebowitz, "FMLA and the Labor Supply of New Mothers". Unpublished paper, RAND, March 1998.

Friedberg, L. "The Labor Supply Effects of the Social Security Earnings Test". Review of Economics and Statistics, forthcoming 2000. **(NBER 7200)**

## III. LABOR DEMAND

**1. Basics:**

-Borjas, pages 103-138.

**2. Applications:**

## (a) Minimum Wages

Borjas, pages 138-149, 185-193.

Card, D. and A. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania", American Economic Review 84 (Sept. 1994): 772-793. **(JSTOR) (NBER 4509)**

Currie, J. and B. Fallick, "The Minimum Wage and the Employment of Youth: Evidence from the NLSY" Journal of Human Resources 31(2) (Spring 1996): 404-28. **(NBER 4348\*)**

**IV. LABOR MARKET EQUILIBRIUM****1. Basics:**

-Borjas, pages 103-138.

**2. Applications:**

## (a) Effects of Immigration

Lalonde, R. J., and R. Topel, "Labor Market Adjustments to Increased Immigration", in J. Abowd and R. Freeman, eds., Immigration, Trade, and the Labor Market, Chicago, University of Chicago Press, 1991.

Topel, R. "Regional Labor Markets and the Determinants of Wage Inequality", American Economic Review 84(2), May 1994, pages 17-22. **(JSTOR)**

**V. WAGES AND WAGE STRUCTURE****1. Compensating Differentials**

Borjas, chapter 6.

**2. Human Capital**

## (a) Education

Borjas, chapter 7

Angrist, J. D. and A. B. Krueger, "Does Compulsory School Attendance Affect Schooling and Earnings?" Quarterly Journal of Economics 106 (Nov. 1991): 979-1014. **(NBER 3572\*) (JSTOR)**

## (b) School Quality

Card, David and A. Krueger, "Does School Quality Matter? Returns to Education and the Characteristics of Public Schools in the United States", Journal of Political Economy 100 (February 1992): 1-40. **(NBER 3358) (JSTOR)**

Dale, S. B. and A. Krueger, "Estimating the Returns to Attending a More Selective College: An Application of Selection on Observables and Unobservables". Princeton University Industrial Relations Section working paper no.409, July 1999. **(NBER 7322)**

(c) On-the-Job Training, Search and Matching:

Borjas, pages 257-271, 332, 337.

Topel, R. and M. Ward, "Job mobility and the wages of young men", Quarterly Journal of Economics, May 1992. **(NBER 2649\*) (JSTOR)**

Ruhm, C. J. "Are Workers Permanently Scarred by Job Displacements?" American Economic Review; 81(1), March 1991, pages 319-24. **(JSTOR)**

### 3. Immigrant Assimilation

Borjas, chapter 9. (pages 303-325).

Duleep, H. O. and M. Regets, "The Elusive Concept of Immigrant Quality: Evidence from 1970-1990", mimeo, The Urban Institute, April 1996.

Baker, M. and D. Benjamin, "The Role of the Family in Immigrants' Labor Market Activity: An Evaluation of Alternative Explanations", American Economic Review 87 (September 1997): 705-727.

#### Finding the journal articles:

**NBER** working papers are available on-line at <http://www.nber.org> (from any computer in the ucsb.edu domain). Many published journal articles are also available in an earlier, NBER working paper form. I denote these by their working paper number (e.g. **NBER 7001**) to facilitate quicker access.

**JSTOR** indicates the article is available on J-STOR <http://www.jstor.org> (again from any computer in the ucsb.edu domain)

**CDL** indicates the article is available from the California Digital Library:

[http://www.cdlib.org/cgi-bin/browse\\_topic?campus=UCSB&format=Electronic+Journal&perpage=200&topic=Economics](http://www.cdlib.org/cgi-bin/browse_topic?campus=UCSB&format=Electronic+Journal&perpage=200&topic=Economics) This source is distinctly inferior to the others because it reproduces text only, not tables, figures, or equations. Use it as a convenience, or last resort only)