

William & Mary  
Labor Market Analysis  
Syllabus

ECON 451  
Fall 2020  
Mon., Wed.  
2 – 3:20 p.m. in ISC 1221

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**Course description and objectives**

Is expanding unemployment insurance eligibility a good idea? Why are CEOs (still) paid so much? Could lower income tax rates really increase government revenue? This course uses theory and evidence from economics to answer such questions. It seeks to enhance students' understanding of the various interactions between firms and workers. Students will learn to apply microeconomic principles to topics such as labor force participation, unemployment, immigration, determinants of earnings, education, labor unions, and labor policies such as minimum wages. Students will investigate these topics by evaluating recent economic research findings and analyzing labor market data.

This course is for any student who has completed Intermediate Microeconomic Theory (ECON 303) in a satisfactory manner. It fulfills the Economics major writing requirement.

**Healthy Together Community**

We're learning this semester under pandemic conditions. Members of the class (including, of course, Prof. McHenry) will fulfill the Healthy Together Community Commitment to the best of our ability (<https://www.wm.edu/sites/pathforward/health/index.php>). We will make mistakes. This course will be a place of graciousness in the midst of anticipated messiness. But we as students of economics know about externalities and public goods, and those lessons tell us that I count on you making socially responsible decisions, just as you count on me. Let's do what we can to keep each other healthy and focused as much as possible on learning.

In addition, we recognize that plans may need to change depending on public health conditions and regulatory guidance. We may need to switch to fully remote instruction. I have a plan for that. We may need to be flexible with the timing of some activities like meetings and due dates. Please communicate with me about what you need.

**Course Materials**

Textbook (recommended): *Labor Economics* by George Borjas (3<sup>rd</sup> or later ed.)  
Selected readings posted at the course Blackboard site

**Determinants of the Course Grade**

Quizzes	15%
Writing Assignment	35%
Midterm Exam	20%
Final Exam	<u>30%</u>
	100%

## **Quizzes**

Quizzes will be available in the “Weekly activities” tab on the Blackboard course site. Most weeks will include one or two quizzes. Quizzes provide a check on preparation for class meetings. There will be enough quizzes through the semester that any individual quiz is a low-stakes evaluation.

## **Writing Assignment:** *Analysis of an occupation in a changing environment*

Students will use economic concepts and data to describe and analyze an occupation of their choice. See the separate document called “Guide for the Writing Assignment” for details about this assignment. Papers will be evaluated for economic content and writing style. Late submission earns a reduced grade. In total, the assignment counts for 35% of course grade. Brainstorming work due September 20 (3%). Partial draft due October 18 (12%). Final paper due November 24 (20%).

## **Examinations**

The course includes one midterm exam and one final exam. Both are take-home exams. The midterm exam should take about 80 minutes to complete and is due on October 2. The final exam should take about 3 hours to complete and is due on November 16.

Exams will cover material from class sessions and required (\*) outside readings. I encourage you to complete assigned readings before each class meeting. Doing so will improve the class environment for everyone by promoting productive questions and discussion. If it is clear that many students are not keeping up with reading assignments, I will increase the amount of exam questioning about the readings. The final exam will cover topics from the whole course.

If you have a disability that makes you eligible for accommodations on examinations, please contact the Office of Student Accessibility Services as soon as possible. They will help develop and implement a plan for examinations. If this applies to you, please begin the process well (i.e., weeks) before the exam.

## **Grading Standards**

Letter grades for the course will be based on a standard 100-point scale where [93-100] implies an A, [90-93) implies an A-, [88-90) implies a B+, [83-88) implies a B, and so on. I will adjust exam grades up if the class median is low. In particular, I will increase all scores uniformly until the median is at least 82 (a B-), except that the maximum score increase is 10 points. I will not adjust scores downward if the median is high.

## **Poll Everywhere and Extra Credit**

We will use a student response system called Poll Everywhere in class to facilitate discussion and quizzes. Please bring a smart phone, tablet, laptop, or other web-capable device to every class. If you use an Apple or Android device, please download the free Poll Everywhere app.

Please use the URL below for information about registering for an account and associating your account with my class.

<https://www.wm.edu/offices/it/services/responsecollection/studentresponsesystem/index.php>

There is no fee associated with your student Poll Everywhere account; however, you must log-in with your W&M e-mail and password by selecting the “SSO” option at log-in. If you need assistance setting up your device, please navigate to the IT help page:

<http://www.wm.edu/offices/it/gethelp/index.php>

Though we may use this system informally at our first class, I plan to have formal assessments on Poll Everywhere beginning on August 31. Some class meetings will begin with a pop quiz using Poll Everywhere. Pop quizzes overall can increase your final grade by at most 2 points (on a 100-point scale). Extra credit points are calculated as:

$$2 * (\text{pop quiz points earned}) / (\text{total possible pop quiz points}).$$

You must register for Poll Everywhere in order to get this extra credit.

### **Virtual Office Hours and Other Access to the Instructor**

I will be available on Zoom from 11 a.m. to noon each Tuesday, Thursday, and Friday during the semester. The Zoom meeting link for office hours is: <https://cwm.zoom.us/j/8312785710>. Please let me know if you would like to schedule a meeting outside those times. E-mail is an excellent way to contact me (pmchenry@wm.edu).

### **Honor Code**

I encourage you to collaborate in your studies and discussion of economics this semester. However, quizzes and all exam work should be completed without the aid of other people. Students are allowed to refer to other outside sources for quizzes and take-home exams. I consider the use of unauthorized aid on graded assignments to be a violation of the Honor Code.

Plagiarism on the writing assignment is a violation of the Honor Code. Plagiarism is presenting someone else's words or ideas as your own. When you write a document and distribute it, you imply that its words and ideas are your own, except where explicitly noted in the text (as with citations to others' work). Please do not plagiarize. If you have questions about plagiarism, please ask me.

A common impetus for plagiarism is desperation. When a student waits until the night before a due date to begin work on an assignment, and his computer crashes at 3 a.m. leaving no back-up file, he is often tempted to find someone else's work and submit it as his own. Please avoid such temptation by spreading your writing process over several days (or weeks).

More resources about plagiarism (and assistance with writing in general) are available through the Writing Resources Center (<http://www.wm.edu/as/wrc/index.php>).

### **Schedule with Assignments and Readings**

Readings other than Borjas textbook chapters are posted at Blackboard. Borjas chapter numbers refer to the 5<sup>th</sup> edition. All readings are valuable, and ideas from them that I also present in class may appear on the exams. Readings marked with an asterisk (\*) are considered "required" in the sense that I expect students to be able to discuss them in class, and I will focus more on them in exams.

#### I. Introductory Material

8/19 Borjas Chapter 1 "Introduction to Labor Economics"

8/24 Borjas Chapter 1 Appendix "An Introduction to Regression Analysis"

Carpenter "A Brief Exposure to Econometrics"

#### II. Labor Supply Decisions and Policies

8/26 Borjas Chapter 2 “Labor Supply”

*8/28 is the last day to add or drop a course*

8/31 (\*) Farber (2015) “Why You Can’t Find a Taxi in the Rain and Other Labor Supply Lessons from Cab Drivers” *Quarterly Journal of Economics* 130(4) November: 1975-2026.

9/2 (\*) Hoynes (2019) “The Earned Income Tax Credit” *The ANNALS of the American Academy of Political and Social Science*, 686(1): 180-203.

9/7 Mankiw, Weinzierl, and Yagan (2009) “Optimal Taxation in Theory and Practice” *Journal of Economic Perspectives* 23(4), Fall, 147-174.

Diamond and Saez (2011) “The Case for a Progressive Tax: From Basic Research to Policy Recommendations” *Journal of Economic Perspectives* 25(4), Fall, 165-190.

### III. Labor Demand

9/9 Borjas Chapter 3 “Labor Demand”

### IV. Labor Market Equilibrium: Determinants of Wages and Employment

9/14 Borjas Chapter 4 “Labor Market Equilibrium”

9/16 Borjas Chapter 5 “Compensating Wage Differentials”

Lee and Taylor (2019) “Randomized Safety Inspections and Risk Exposure on the Job: Quasi-experimental Estimates of the Value of a Statistical Life” *American Economic Journal: Economic Policy* 11(4): 350-374.

9/20 WRITING ASSIGNMENT BRAINSTORMING WORK DUE (BY 11:59 P.M.)

9/21 Prada, Rucci, and Urzua (2015) “The Effect of Mandated Child Care on Female Wages in Chile” NBER working paper 21080.

### V. Human Capital

9/23 Borjas Chapter 6 “Human Capital”

9/28 (\*) Couch (1992) "New Evidence on the Long-Term Effects of Employment Training Programs" *Journal of Labor Economics* 10(4) October: 380-388.

### VI. Inequality and Intergenerational Mobility

9/30 Borjas Chapter 7 “The Wage Structure”

(\*) Autor (2010) “The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings” Center for American Progress and The Hamilton Project.

10/2 TAKE-HOME MIDTERM EXAM DUE (BY 11:59 P.M.)

10/5 Song, Price, Guvenen, Bloom, and von Wachter (2018) “Firming Up Inequality” forthcoming in *Quarterly Journal of Economics*.

10/7 (\*) Chetty, Hendren, Kline, Saez, and Turner (2014) “Is the United States Still a Land of Opportunity? Recent Trends in Intergenerational Mobility” NBER Working Paper 19844.

## VII. Minimum Wage Laws

10/12 (\*) Sabia, Burkhauser, and Hansen (2012) “Are the Effects of Minimum Wage Increases Always Small? New Evidence from a Case Study of New York State” *Industrial and Labor Relations Review* 65(2): 350-376.

*10/12 is the course withdrawal deadline*

10/14 Neumark (2014) “Employment Effects of Minimum Wages” IZA World of Labor 2014: 6.

10/18 WRITING ASSIGNMENT PARTIAL DRAFT DUE (BY 11:59 P.M.)

## VIII. Unemployment

10/19 Borjas Chapter 12 “Unemployment”

(\*) Akerlof and Shiller (2009) “Why Are There People Who Cannot Find a Job?” Chapter 8 in *Animal Spirits: How Human Psychology Drives the Economy, and Why It Matters for Global Capitalism* (Princeton UP).

10/21 (\*) Boone, Dube, Goodman, and Kaplan (2017) “The Impact of Unemployment Insurance Expansion on Aggregate Employment during the Great Recession” VoxEU.org: <http://voxeu.org/article/unemployment-insurance-and-employment-during-great-recession>

## IX. Geographic Mobility and Immigration

10/26 Borjas Chapter 8 “Labor Mobility”

10/28 (\*) Card (2005) “Is the New Immigration Really So Bad?” *The Economic Journal* 115 November: F300–F323.

(\*) Allen, Dobbin, and Morten (2018) “Border Walls” Nontechnical summary.

## X. Discrimination

11/2 Borjas Chapter 9 “Labor Market Discrimination”

11/4 (\*) Bertrand and Duflo (2016) “Field Experiments on Discrimination” chapter prepared for the *Handbook of Field Experiments*. Introduction and Sections 1.1-1.5.

## XI. Labor Unions

11/9 Borjas Chapter 10 “Labor Unions”

(\*) Nunn, O’Donnell, and Shambaugh (2019) “The Shift in Private Sector Union Participation: Explanation and Effects” The Hamilton Project.

11/11 Holmes (1998) “The Effect of State Policies on the Location of Manufacturing: Evidence from State Borders” *Journal of Political Economy* 106 August: 667-705.

11/16 TAKE-HOME FINAL EXAM DUE (BY 11:59 P.M.)

11/24 WRITING ASSIGNMENT DUE (BY 11:59 P.M.)

### **Additional instructional hours**

The fall 2020 semester was shortened by one week. As a result, the above class meetings will be augmented by 3 hours of additional instructional time. That time will be filled by the take-home midterm exam and recorded videos posted at Blackboard.

### **Instructor: Peter McHenry**

I was born 50 miles away into a Navy family in Portsmouth, VA. I earned my BS from Vanderbilt and my PhD in economics from Yale. My research is in labor, regional, and health economics. I have mostly studied migration behavior (of people, not birds). My research also tries to understand why different groups of people earn different wages, for example across races and locations. I have particular interests in education and health policies like Medicare. I’m currently writing a paper about minimum wages. I want you to learn a lot of economics this semester. Toward that end, I welcome your questions and comments. My contact information is on the first page.