

William & Mary
Labor Market Analysis
Syllabus

ECON 451
Spring 2020
Tues., Thurs.
11 a.m. - 12:20 p.m. in Tyler Hall 133

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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.

Course Materials

Textbook (suggested, not required): *Labor Economics* by George Borjas (3rd or later ed.)
Selected readings posted at the course Blackboard site

Determinants of the Final Grade

Problem Sets	14%
Writing Assignment	36%
Midterm Exam	20%
Final Exam	<u>30%</u>
	100%

Problem Sets

Students will complete two problem sets, which will be posted at the Blackboard course page. Problem sets are due February 6 and February 20 and each worth 7% of the final grade.

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. (36% of final grade. Preliminary work due April 2. Final version due April 30.)

Examinations

The course includes one midterm examination (on March 19) and one final examination (on May 8). An unexcused absence from an exam results in a score of zero. Make-up exams are available for students with excused absences, which require a letter of excuse from the Dean's office.

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 (not required, but it'll be convenient).

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

<http://www.wm.edu/offices/it/services/academicsupport/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 to work on the W&M wireless network, 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 February 4. 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.

Office Hours and Other Access to the Instructor

I will be available in my office (Tyler 256) from 1:30 to 3 p.m. each Monday and Wednesday during the semester. 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, graded writing assignments and all exam work should be completed without the aid of other students. Students will not be allowed to refer to outside sources during exams. I consider the use of unauthorized aid on graded assignments to be a violation of the Honor Code.

More specifically, plagiarism on a 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 5th 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 the exam.

I. Introductory Material

1/23 Borjas Chapter 1 "Introduction to Labor Economics"

1/28 Borjas Chapter 1 Appendix "An Introduction to Regression Analysis"

Carpenter "A Brief Exposure to Econometrics"

II. Labor Supply Decisions and Policies

1/30 Borjas Chapter 2 "Labor Supply"

1/31 is the last day to add or drop a course

2/4 (*) 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.

2/6 PROBLEM SET 1 DUE

(*) Eissa and Liebman (1996) "Labor Supply Response to the Earned Income Tax Credit" *Quarterly Journal of Economics* 111(2) May: 605-637.

2/11 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

2/13 Borjas Chapter 3 “Labor Demand”

IV. Labor Market Equilibrium: Determinants of Wages and Employment

2/18 Borjas Chapter 4 “Labor Market Equilibrium”

2/20 PROBLEM SET 2 DUE

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.

Aldy (2019) “Birds of a Feather: Estimating the Value of Statistical Life from Dual-earner Families” NBER working paper 25708.

2/25 Prada, Rucci, and Urzua (2015) “The Effect of Mandated Child Care on Female Wages in Chile” NBER working paper 21080.

V. Inequality and Intergenerational Mobility

2/27 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.

Autor Ted Talk: “Why Are There Still So Many Jobs?”

<https://www.youtube.com/watch?v=LCxcnUrokJo&list=PLsRNoUx8w3rOyHeLmdk384sDpCq2GHwDw&index=3>

3/3 Song, Price, Guvenen, Bloom, and von Wachter (2018) “Firming Up Inequality” forthcoming in *Quarterly Journal of Economics*.

- 3/5 (*) 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.

SPRING BREAK

VI. Minimum Wage Laws

- 3/17 (*) 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.

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

- 3/19 MIDTERM EXAM

3/23 is the course withdrawal deadline

VII. Human Capital

- 3/24 Borjas Chapter 6 “Human Capital”

- 3/26 (*) Couch (1992) "New Evidence on the Long-Term Effects of Employment Training Programs" *Journal of Labor Economics* 10(4) October: 380-388.

Card, Ibarrraran, Regalia, Rosas-Shady, and Soares (2011) “The Labor Market Impacts of Youth Training in the Dominican Republic” *Journal of Labor Economics* 29(2) 267-300.

VIII. Unemployment

- 3/31 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).

- 4/2 PRELIMINARY WORK FOR WRITING ASSIGNMENT DUE (BY 11:59 P.M.)

(*) 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

- 4/7 Borjas Chapter 8 “Labor Mobility”
- 4/9 (*) Card (2005) “Is the New Immigration Really So Bad?” *The Economic Journal* 115 November: F300–F323.
- Allen, Dobbin, and Morten (2019) “Border Walls” working paper.

X. Discrimination

- 4/14 Borjas Chapter 9 “Labor Market Discrimination”
- 4/16 (*) Bertrand and Duflo (2016) “Field Experiments on Discrimination” chapter prepared for the *Handbook of Field Experiments*. Introduction and Sections 1.1-1.5.
- 4/21 [Regular class meeting, no preparatory reading.]

XI. Labor Unions

- 4/23 Borjas Chapter 10 “Labor Unions”
- 4/28 (*) Gittleman and Kleiner (2016) “Wage Effects of Unionization and Occupational Licensing Coverage in the United States” *Industrial and Labor Relations Review* 69(1): 142-172.
- Holmes (1998) “The Effect of State Policies on the Location of Manufacturing: Evidence from State Borders” *Journal of Political Economy* 106 August: 667-705.

XII. Incentive Pay

- 4/30 WRITING ASSIGNMENT DUE (BY 11:59 P.M.)
- Borjas Chapter 11 “Incentive Pay”
- (*) Lazear (2000) “Performance Pay and Productivity” *American Economic Review* 90 December: 1346-1361.
- 5/8 FINAL EXAM (Friday 2 p.m. – 5 p.m. where the class regularly meets)

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 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.