

William & Mary
Labor Market Analysis
Syllabus

ECON 451
Spring 2023
Mon., Wed.
2 PM – 3:20 PM in Chancellors Hall 123

Peter McHenry
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Course description and objectives

Is expanding unemployment insurance eligibility a good idea? Why are CEOs (still) paid so much? Does immigration help or hurt the economic prospects of current residents? 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 (recommended): *Labor Economics* by George Borjas (3rd 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. I will drop the lowest two quiz scores.

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 the course grade. Brainstorming work due February 22 (3%). Partial draft due April 3 (12%). Final paper due April 26 (20%).

Examinations

The course includes one midterm exam and one final exam. 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 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, 90-92.9 implies an A-, 88-89.9 implies a B+, 83-87.9 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

We will use a student response system called Poll Everywhere in class to facilitate discussion. Please bring a smart phone or other web-capable device to every class and 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>

Office Hours

I will be available in my office (Chancellors Hall 256) from 11 AM to noon each Tuesday, Thursday, and Friday 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, quizzes and all exam work should be completed without the aid of other people. Students are allowed to refer to other outside sources for Blackboard quizzes but not for 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.

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 exams.

I. Introductory Material

1/25 Borjas Chapter 1 "Introduction to Labor Economics"

1/30 Borjas Chapter 1 Appendix "An Introduction to Regression Analysis"

Carpenter "A Brief Exposure to Econometrics"

II. Labor Supply Decisions and Policies

2/1 Borjas Chapter 2 "Labor Supply"

2/3 is the last day to add or drop a course

2/6 (*) 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.

2/8 (*) Hoynes (2019) "The Earned Income Tax Credit" *The ANNALS of the American Academy of Political and Social Science*, 686(1): 180-203.

2/13 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

2/15 Borjas Chapter 3 "Labor Demand"

IV. Labor Market Equilibrium: Determinants of Wages and Employment

2/20 Borjas Chapter 4 "Labor Market Equilibrium"

2/22 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.

WRITING ASSIGNMENT BRAINSTORMING WORK DUE (BY 11:59 PM)

2/27 Prada, Rucci, and Urzua (2015) “The Effect of Mandated Child Care on Female Wages in Chile” NBER working paper 21080.

V. Human Capital

3/1 Borjas Chapter 6 “Human Capital”

3/6 MIDTERM EXAM

3/8 (*) Couch (1992) “New Evidence on the Long-Term Effects of Employment Training Programs” *Journal of Labor Economics* 10(4) October: 380-388.

SPRING BREAK

VI. Inequality and Intergenerational Mobility

3/20 Borjas Chapter 7 “The Wage Structure”

3/22 (*) Bhatt, Kolb, and Ward (2020) “How to Fix Economic Inequality? An Overview of Policies of the United States and Other High-Income Economies” Educational Resources, Peterson Institute for International Economics.

3/27 (*) Chetty, Hendren, Jones, and Porter (2020) “Race and Economic Opportunity in the United States” Non-technical research summary, Opportunity Insights.

3/27 is the course withdrawal deadline

VII. Minimum Wage Laws

3/29 Neumark (2014) “Employment Effects of Minimum Wages” IZA World of Labor 2014: 6.

4/3 (*) Ashenfelter and Jurajda (2022) “Minimum Wages, Wages, and Price Pass-Through: The Case of McDonald’s Restaurants” *Journal of Labor Economics* 40(S1) April: S179-S201.

WRITING ASSIGNMENT PARTIAL DRAFT DUE (BY 11:59 PM)

VIII. Unemployment

4/5 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).

4/10 (*) 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

4/12 Borjas Chapter 8 “Labor Mobility”

4/17 (*) Edo, Ragot, Rapoport, Sardoschau, Steinmayr, and Sweetman (2020) “An Introduction to the Economics of Immigration in OECD Countries” *Canadian Journal of Economics* 53(4) November: 1365-1403. Sections 1, 2, and 3.

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

X. Discrimination

4/19 Borjas Chapter 9 “Labor Market Discrimination”

4/24 (*) Bertrand and Duflo (2016) “Field Experiments on Discrimination” chapter prepared for the *Handbook of Field Experiments*. Introduction and Sections 1.1-1.5.

4/26 Doleac (2019) “Empirical Evidence on the Effects of Ban the Box Policies: The State of the Literature in 2019” Testimony prepared for the U.S. House Committee on Oversight and Government Reform.

WRITING ASSIGNMENT DUE (BY 11:59 PM)

XI. Labor Unions

5/1 Borjas Chapter 10 “Labor Unions”

5/3 (*) Nunn, O’Donnell, and Shambaugh (2019) “The Shift in Private Sector Union Participation: Explanation and Effects” The Hamilton Project.

5/9 FINAL EXAM (2 PM to 5 PM)

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 and health economics. My early work focused on migration behavior (of people, not birds). My research 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. My most recent paper studied minimum wage laws. I'm working mostly these days on a project investigating college-going decisions among young adults in the U.S. and Canada. 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.