

## **Economics 152 – Wage Theory and Policy**

### **Syllabus – 08/28/07**

The major focus of this course is theoretical and empirical analysis of wage and employment determination in the labor market. In addition, the role of public policy in affecting wage and employment outcomes in the U.S. labor market is examined. Most of us allocate a substantial fraction of our time to the labor market. Our action on the labor market influences many aspects of our life: our wealth, the goods we consume, whom we associate with, where we vacation, etc. In this course, we explore the ideas economists use to understand how labor markets work. This will aid our understanding of topics such as education and training, discrimination and the impact of antidiscrimination programs, changes in wage inequality over time, immigration, unions, unemployment, and poverty.

#### **Contact and Office Hours**

Professor Andrea Weber, 631B Evans, Tel 643-5272, email [webera@econ.berkeley.edu](mailto:webera@econ.berkeley.edu)

Office hours: Wednesday 9:30 – 11:30

Appointment: if you cannot make the office hours, send an email and request an appointment

#### ***Graduate Student Instructor***

Your GSI for Econ 152 is Eva O. Arceo-Gomez, email: [earceo@econ.berkeley.edu](mailto:earceo@econ.berkeley.edu).

OfficeHours: Tuesday, 10-12, in 608-5 Evans

You are strongly advised to attend one of her discussion sessions.

#### ***Course Website***

[http://emlab.berkeley.edu/users/webfac/weber/e152\\_f07/e152.shtml](http://emlab.berkeley.edu/users/webfac/weber/e152_f07/e152.shtml)

#### ***Readings***

The course will largely follow the required textbook: *Labor Economics*, by George J. Borjas. In addition, we will go over applied papers, which provide empirical evidence for the economic theory. The exams cover material from both the textbook and the additional readings.

The textbooks are available at the Cal Bookstore and on reserve at Moffitt Library.

#### **Required textbook:**

George J. Borjas, *Labor Economics* (Irwin McGraw Hill, 4<sup>th</sup> edition 2007).

#### **Additional recommended textbook:**

Pierre Cahuc and Andre Zylberberg, *Labor Economics* (MIT Press)

#### **Reader:**

Additional readings material is listed below. These readings are available at [www.jstor.org](http://www.jstor.org)

### ***Problem Sets and Exams***

There will be 6 Problem sets, two Midterms and a Final Exam.

The problem sets are handed out on Wednesday every second week and will be due on Wednesday the following week.

Exams will be closed book, closed notes exams. They cover the material presented in class and consist of short answer type questions.

No make up exams will be scheduled. Students who miss an exam must communicate with Professor Weber by email or phone on the day of the exam. Students need to have a certified certificate from a medical or legal authority to justify the reason for having missed the exam. Otherwise a missed exam counts 0 towards the final grade.

### Exam Dates

1<sup>st</sup> Midterm Exam: October 1, in class

2<sup>nd</sup> Midterm Exam: November 14, in class

Final Exam: December 14, place to be announced

### ***Course Grades***

There are 3 grades for Problem Sets: check minus, check, check plus

Each of the exams is graded on a scale from 0-100.

The Final Grade is composed of

Problem Sets            15%

Midterm Exams        35%

Final Exam            50%

### ***Additional Rules***

#### Attendance:

Attendance will be taken in the first week of sections. Students who do not show up in the first section will be dropped from the class.

#### Special Accommodation

If you require special accommodation for exams due to learning or other disabilities, please come and speak to Professor Weber. You will also need to obtain an evaluation form from the Disabled Students' Program.

#### Fire Alarm Rule

If the fire alarm is pulled during an exam, the class will move outside and finish the exam in the allotted time.

### **Tentative Schedule and Reading Assignment**

<b>Week</b>		<b>Topic</b>
1	Aug 27, 29, 31	Introduction, Labor Supply, Basic measures and facts
		<u>Read:</u> Borjas Chapter 1
2	Sep 5, 7	Labor Supply, Neoclassical model of labor leisure choice

		<u>Read:</u> Borjas Chapter 2 Blau and Kahn (2007)
3	Sep 10, 12, 13	Labor Supply: Policy Applications
		<u>Read:</u> Borjas Chapter 2, 3 Eissa, Liebman (1996)
4	Sep 17, 19, 21	Retirement, Household Production, Fertility Labor Demand
		<u>Read:</u> Borjas Chapter 3, 4
5	Sep 24, 26, 28	Labor Demand, Policy Applications, Minimum Wages
		<u>Read:</u> Borjas Chapter 4 Card and Krueger (1994)
6	<b>Oct 1</b> Oct 3 Oct 5	<b>1<sup>st</sup> Midterm Test</b> No Lecture Labor Market Equilibrium
		<u>Read:</u> Borjas Chapter 1
7	Oct 8, 10, 12	Labor Market Equilibrium, Policy Applications: Taxes and Subsidies, Immigration, Noncompetitive labor markets
		<u>Read:</u> Borjas Chapter 5
8	Oct 15, 17, 19	Compensating Wage Differentials, Health Insurance
		<u>Read:</u> Borjas Chapter 6 Ashenfelter and Greenstone (2007), Del Bono and Weber (2006)
9	Oct 22, 24, 26	Education and Schooling, on the Job Training
		<u>Read:</u> Borjas Chapter 7 Angrist and Krueger (1994), Ashenfelter and Krueger (1994)
10	Oct 29, 31, Nov 2	Earnings Distribution and Inequality
		<u>Read:</u> Borjas Chapter 8 Piketty and Saez (2003), Krueger (1993), DiNardo and Pischke (1997)
11	Nov 5, 7, 9	Labor Mobility, Immigration
		<u>Read:</u> Borjas Chapter 9 Card (1992), Ottaviano and Peri (2005)
12	<b>Nov 14,</b> Nov 16	<b>2<sup>nd</sup> Midterm Test</b> Labor Market Discrimination
		<u>Read:</u> Borjas Chapter 10 Hamermesh and Biddle (1994)
13	Nov 19, 21	Labor Unions
		<u>Read:</u> Borjas Chapter 11 DiNardo and Lee (2004)
14	Nov 26, 28, 30	Incentive Pay
		<u>Read:</u> Borjas Chapter 12 Groschen (2001)
15	Dec 3, 5, 7	Unemployment
		<u>Read:</u> Borjas Chapter 13 Kuhn and Skuterrud (2004)
15	Dec 10	Review, last class
	<b>Dec 14</b>	<b>Final Exam</b>

## Additional Reading List

Angrist, Joshua D. and Alan B. Krueger (1992), "Estimating the Payoff to schooling using the Vietnam-era draft lottery", *NBER Working Paper* No. 4067, Cambridge, MA.

Ashenfelter, Orley and Alan B. Krueger (1994), "Estimates of the economic return to schooling for a new sample of twins", *American Economic Review* 84, 1157-1173.

Ashenfelter, Orley and Michael. Greenstone (2004), "Using Mandated Speed Limits to Measure the Value of Statistical Life", *Journal of Political Economy* 112, 226-267.

Blau, Francine and Lawrence Kahn (2007) "Changes in the Labor Supply Behavior of Married Women: 1980-2000", *Journal of Labor Economics*, forthcoming.

Card, David (1992) "The Impact of the Mariel Boatlift on the Miami Labor Market", *Industrial and Labor Relations Review* 43, 25-257.

Card, David (1999), "The causal effect of education on earnings", in O. Ashenfelter and D. Card (eds), *Handbook of Labor Economics*, Vol.3A, Chapter 30, 1801-1863, Elsevier Science.

Card, David and Alan Krueger (1994) "Minimum wages and employment: A case study of the Fast-Food industry in New Jersey and Pennsylvania", *American Economic Review* 84, p. 772-793.

Del Bono, Emilia and Andrea Weber (2006), "Do Wages Compensate for Anticipated Working Time Restrictions? Evidence from Seasonal Employment in Austria", *IZA Discussion Paper* No. 2242

DiNardo, John and David Lee (2004), "Economic Impacts of New Unionization on Private Sector Employers: 1984-2001", *Quarterly Journal of Economics* 119, 1383-1442.

DiNardo, John E. and Joern-Steffen Pischke (1997), "The returns to computer use revisited: Have pencils changed the wage structure too?", *Quarterly Journal of Economics* 112, 291-303.

Eissa, Nada and Jeffrey B. Liebmann (1996), "Labor Supply Responses to the Earned Income Tax Credit", *Quarterly Journal of Economics* 111, 605-36.

Groschen, Erica L. (2001), "Sources of Intra-Industry Wage Dispersion: How Much do Employers Matter?" *Quarterly Journal of Economics* 106: 869-84

Hamermesh, Daniel S. and Jeff E. Biddle (1994), "Beauty and the labor market", *American Economic Review* 84, 1174-1194.

Kuhn, Peter and Mikal Skuterud (2004), "Internet Job Search and Unemployment Durations," *American Economic Review* 94: 318-32

Krueger, Alan B. (1993), "How computers have changed the wage structure: Evidence from microdata, 1984-1989", *Quarterly Journal of Economics* 108, 33-60.

Madrian, B. (1999), "Health, Health Insurance, and the Labor Market", in O. Ashenfelter and D. Card (eds), *Handbook of Labor Economics*, Volume 3C, Amsterdam: Elsevier, pp. 3309-3412.

Ottaviano, Gianmarco and Giovanni Peri (2005), "Rethinking Gains from Immigration: Theory and Evidence from the U.S.", *NBER Working Paper* No. 11672, Cambridge, MA.

Peri, Giovanni (2006), “ Immigrants, Skills, and Wages: Measuring Economic Gains from Immigration”, *Immigration Policy in Focus*, Vol 5, Issue 3.

Peri, Giovanni (2006), “ Rethinking the Effects of Immigration on Wages: New Data and Analysis form 1990-2004”, *Immigration Policy in Focus*, Vol 5, Issue 8.

Piketty, Thomas and Emmanuel Saez (2003), “Income Inequality in the United States: 1913-1998” *Quarterly Journal of Economics* 118, 1-39.