

## Economics 139 – Labor Economics

September 2000, 2:20am – 3:40am, Tuesday & Thursday

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### SYLLABUS

#### Objectives:

This course presents theories of labor markets, and some evidence on whether the theories work.

#### Prerequisites:

It is assumed that you know the material covered in 1AB or 2AB.

#### Text and Reading:

The basic text is *Modern Labor Economics*, 7<sup>th</sup> Edition, by Ronald G. Ehrenberg and Robert S. Smith, (Addison-Wesley, 2000) which is available at the Bookstore. The course will cover the whole book with some additional readings available from Soft Reserves.

#### Exams, Papers and Grades:

There will be a midterm, a *cumulative* final and an optional short term paper. There will also be regular assignments which you should use to prepare for the exams. The midterm will be in class on **Tuesday October 26<sup>th</sup>**. The final will be on Tuesday December 5<sup>th</sup>, 3:00-6:00pm. Course grades will be based in these weights:

Option A: Assignments 10%, Midterm 20%, Final 30%, Paper 40%

Option B: Assignments 15%, Midterm 35%, Final 50%

Note: The term paper option is intended for those who wish to go beyond routine coursework. Writing a paper is unlikely to help your grade if your exam performance is poor.

#### Incompletes:

No incomplete grades will be given unless there are extraordinary circumstances.

#### Term Papers:

Term papers can be about any relevant topic. Finding a topic is an important part of the exercise. The paper should be short: 5-10 typed pages. It should contain a statement of your ideas, backed up by suitable analysis or empirical evidence. A survey of what others have said or written is not acceptable. If you plan to write a paper, you must submit an outline or draft before Thanksgiving. The completed paper must be handed in by Friday December 1, at 5pm. There will be **no extensions**.



## Economics 133 SCHEDULE

**Note:** This is a rough guide (not a contract)

Topic	Subtopic	Dates	Reading
<i>Introduction</i>		Sept. 21	
<i>Supply and Demand</i>		Sept. 26	Text Chap. 2
<i>Demand</i>	Competition	Sept. 28	Text Chap. 3, pg. 62-79
	Monopsony	Sept. 28	Text Chap. 3, pg. 79-85
	Elasticity	Oct. 3	Text Chap. 4, pg. 105-120
	Minimum Wages	Oct. 3, Oct. 5	Text Chap. 4, pg. 120-132 Card and Kruegger Kennan
	General and Specific Training	Oct. 10	Text Chap. 5, pg 163-172.
<i>Supply</i>	Participation and Hours Worked	Oct. 10	Text Chap. 6, pg. 178-206 McGrattan and Rogerson
	Human Capital	Oct. 12, Oct. 17	Text Chap. 7, pg. 237-245 Text Chap. 9, pg. 290-328
<i>Equilibrium</i>	Compensating Differentials	Oct. 17, Oct. 19, Oct. 24	Text Chap. 8, pg. 251-281 Smith Friedman
<b>MIDTERM</b>		<b>Oct. 26, in class</b>	
<i>Migration and Immigration</i>		Oct. 31, Nov. 2	Text Chap. 10, pg. 340-363 Roy
<i>Economic Discrimination</i>		Nov. 7, Nov. 9	Text Chap. 12 Neal and Johnson Goldin
<i>Inequality</i>		Nov. 14, Nov. 16	Text Chap. 14 Díaz-Giménez, et al Murphy and Welch
<i>Unemployment</i>	Turnover and Search	Nov. 21	Text Chap. 15 Fitzgerald Blanchard and Katz
	Unemployment Insurance	Nov. 28	Woodbury and Spiegelman
<i>Review</i>	Everything	Nov. 30	Everything
<b>FINAL</b>		<b>Dec. 5, 3-6pm</b>	



## READING LIST

The readings are available through Soft Reserves or they are on reserve at the library. In addition, some of the readings are available on the web and can be downloaded from the class web page.

### Labor Demand

Card, David and Alan B. Krueger, *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton: Princeton University Press, 1995. Chapter 2, pages 20-77.

Kennan, John, "The Elusive Effects of Minimum Wages," *Journal of Economic Literature*, December 1995, 1945-1965.

### Labor Supply

McGrattan, Ellen R. and Richard Rogerson, "Changes in Hours Worked Since 1950," *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol. 22, No.1, Winter 1998, pp. 2-19.

### Equilibrium

Smith, Adam. *The Wealth of Nations*. New York: The Modern Library 1937 (originally published 1776). Chapter X, Of Wages and Profit in the Different Employments of Labour and Stock, pages 99-143.

Milton Friedman, *Price Theory: A Provisional Text*. Chicago: Aldine 1962. Chapter 11, The Supply of Factors of Production, pages 199-225.

### Migration and Immigration

Roy, A. D. "Some Thoughts on the Distribution of Earnings," *Oxford Economic Papers* (New Series) 3, June 1951, 135-146.

### Discrimination

Neal, Derek and William R. Johnson, "The Role of Premarket Factors in Black-White Wage Differences," *Journal of Political Economy*, 104 (5), October 1996, 869-895.

Goldin, Claudia, *Understanding the Gender Gap: An Economic History of American Women*. New York: Oxford University Press, 1990. Chapter 4, The Emergence of Wage Discrimination, pages 83-118.

## READING LIST

### Inequality

Díaz-Giménez, Javier, Vincenzo Quadrini and José-Victor Ríos-Rull, "Dimensions of Inequality: Facts on the U.S. Distributions of Income and Wealth," *Federal Reserve Bank of Minneapolis Quarterly Review*, Vol.21, No.2, Spring 1997, pp. 3-21.

Murphy, Kevin M. and Finis Welch, "Inequality and Relative Wages," *American Economic Review*, 83 (2), May 1993, 104-109.

### Unemployment

Blanchard, Olivier and Lawrence F. Katz, "What We Know and Do Not Know About the Natural Rate of Unemployment," *Journal of Economic Perspectives*, 11, winter 1997, pp. 51-72.

Fitzgerald, Terry J., "An Introduction to the Search Theory of Unemployment," *Federal Reserve Bank of Cleveland Quarterly Review*, 1998 Vol. 34, No. 3, 2-15.

Woodbury, Stephen A. and Robert G. Spiegelman, "Bonuses to Workers and Employers to Reduce Unemployment: Randomized Trials in Illinois," *American Economic Review*, Vol 77, No. 4, September 1987, 513-530.