

Economics 477  
Labor Economics

Instructor: Professor John Garen  
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Fall 2002  
11:00-12:15 T, Th  
BE ???

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### Preliminaries

The purpose of this course is to use economic analysis to understand the labor market. Basically, this involves applying supply and demand analysis to the market for labor services. This enables us to understand a variety of labor market phenomenon and policy issues. I have selected four particularly topical subjects for special emphasis this term. They are minimum wage legislation and the anti-sweatshop debate, welfare reform, Social Security reform, and school reform. Other topics that we will discuss include changes in labor force participation of men and women, the influence of schooling on earnings, workplace safety, discrimination, and unemployment.

### Course Materials

The text for the course is:

Ehrenberg, Ronald and Smith, Robert, *Modern Labor Economics: Theory and Public Policy*, Addison-Wesley, 7<sup>th</sup> edition, 2000.

Additionally, I have selected various readings, mostly off websites. They also will be available as hard copies at Johnny Print.

### Exams and Grades

Two midterms and one final exam will be given. Each exam covers approximately one-third of the course and covers material from the lecture, the text, and other assigned readings. Exams consist of essay and problem solving questions. Each exam counts for 25% of your grade. Also, several quizzes will be given during the term. Collectively, they will count for 15% of your grade. The remaining 10% of your grade is based primarily on homework assignments but also depends on class participation.

### Make-up Policy

Students who have a valid reason for missing an exam may take a make-up. Valid reasons include a University-excused absence, illness, or a personal emergency (e.g., a death in the family). The instructor must be notified of these occurrences as soon as possible and verification will be required. These individuals have the option of taking a make-up exam or doubling counting their score on the next exam. Make-ups will be scheduled at a time mutually convenient for the student and the instructor. The instructor reserves the option to schedule make-up exams for the hour following the final.

## Course Outline and Readings

<u>Dates</u>	<u>Topics</u>	<u>Readings</u>
8/28 - 8/31	Introduction	Ch. 1
9/1 - 9/7	Some labor market facts; Basic Supply & Demand	Ch. 2
9/8 - 9/14	Labor Demand	Ch. 3 (incl. appendix)
9/15 – 9/21	Elasticity; Minimum Wage	Ch. 4: min. wage readings
9/22 – 9/28	Min. wg.(cont'd); sweatshops	sweatshop readings
9/29 – 10/5	Emp. taxes & subsidies; technical change	Ch.4 (selected sections)
10/8, Tues.	FIRST MIDTERM	--
10/9 – 10/12	Labor Supply	Ch. 6 (skip appendix)
10/13 – 10/19	labor supply cont'd; “welfare” programs	“
10/20 – 10/26	Welfare reform	welfare reform readings
10/27 - 11/2	Social Security and its reform	Social Security reform readings
11/3 - 11/9	Compensating Differentials; Fringe Benefits	Ch. 8 (skip appendix)
11/12, Tues.	SECOND MIDTERM	--
11/13 - 11/16	Human Capital: Schooling and Training	Ch. 9 (skip appendix)
11/17- 11/23	Human Capital (cont'd.); school reform	school reform readings
11/24 – 11/27	school reform cont'd.	“
12/1 - 12/7	Economics of Discrimination	Ch. 12
12/8 - 12/14	Unemployment	Ch. 15
12/17, Tues.	FINAL EXAM, 1:00 pm	--

## Other Readings

### Minimum Wage

\*<http://www.dol.gov/dol/esa/public/minwage/chart2.htm>

(Chart of historical values of U.S. minimum wage.)

\*<http://www.epinet.org/> (Go to minimum wage link under issues guides. See link entitled “Step up, not out . . .”) (Favoring increase in minimum wage.)

\*[http://www.epionline.org/minimumwage/minwagestats\\_history.html](http://www.epionline.org/minimumwage/minwagestats_history.html)

(Chart of value of minimum wage plus EITC.)

[http://www.epionline.org/study\\_macurdy\\_05-2001.htm](http://www.epionline.org/study_macurdy_05-2001.htm)(Distribution of effects of minimum wage without employment effects.)

Brown, Charles, “Minimum Wage Laws: Are they Overrated?,” *Journal of Economic Perspectives*, Summer 1988.

### Living Wage

<http://www.universallivingwage.org/>(Go to ULW formula link.)

(How to compute the “living wage.”)

### Sweatshops

\*<http://www.spp.umich.edu/rsie/acit/Documents/Anti-sweatshopLetterPage.html>

(ACIT sweatshop letter.)

\*<http://www.umass.edu/peri/sasl/statement.PDF>

(SASL statement in response to ACIT.)

\*[http://www.linguafranca.com/print/0103/cover\\_clothes.html](http://www.linguafranca.com/print/0103/cover_clothes.html)

(Discussion of the sweatshop controversy.)

\*<http://www.unc.edu/depts/livwage/clwa/srinivasan.pdf>

(On establishing a “living wage” in low-income countries.)

### Welfare Reform

<http://www.aspe.hhs.gov/98gb/7afdc.htm> (See discussion regarding tables 7-3 and 7-20.)

(Green Book on AFDC.)

\*<http://www.acf.dhhs.gov/programs/opa/facts/tanf.htm>

(Summary of TANF.)

\*[http://www.ny.frb.org/rmaghome/econ\\_pol/2001/801prob.pdf](http://www.ny.frb.org/rmaghome/econ_pol/2001/801prob.pdf) (Pgs. 1-4)

(Summary of benefits reduction rates under TANF.)

\*<http://www.brookings.org/wrb/publications/pb/pb01/pb01.htm>

(Summary of effects of welfare reform.)

### Social Security

\*<http://csss.gov/reports/Report-Interim.pdf> (pgs. 1-22)

(Commission on Strengthening Social Security; outline of present system, issues.)

[http://csss.gov/reports/Final\\_report.pdf](http://csss.gov/reports/Final_report.pdf) (See pgs. 74-86 for plan summaries.)

(Commission’s final report.)

<http://www.socialsecurity.org/pubs/ssps/ssp3.html>

(Summary of Social Security issues by Cato Institute.)

\*<http://www.epinet.org/> (Go to Social Security under issues guides. See link entitled “The Problems with Privatization“)  
School Reform

\*Rosen, Harvey, *Public Finance*, pp. 69-74.

(Summary of education finance issues.)

\*<http://www.ed.gov/PressReleases/12-2001/12112001b.html>

(Summary of reform of ESEA.)

\*[http://www.adl.org/vouchers/vouchers\\_main.html](http://www.adl.org/vouchers/vouchers_main.html)

(Against vouchers.)

\*[http://www.manhattan-institute.org/html/cb\\_20.htm](http://www.manhattan-institute.org/html/cb_20.htm)

(Pro-voucher; by Baltimore mayor.)

<http://www-hoover.stanford.edu/publications/digest/012/skandera.html>

(Hoover article about Milwaukee experiment.)

<http://www.heritage.org/schools/welcome.html>

(Summary of school choice by state -- click on Ky.)

Hoxby, Caroline Minter, “Are Efficiency and Equity in School Finance Substitutes or Complements?,” *Journal of Economic Perspectives*, Fall 1996.