

---

TOPICS IN ECON: LABOR ECONOMICS  
Economics 581a, Fall 2007  
Woodrow Wilson School, Princeton University

---

**Time:** Thursdays, 1:00 pm to 4:00 pm

**Place:** Room 11

**Instructor:** Gordon Dahl  
Industrial Relations Section, Firestone Library (A-19-J-3)  
258-6374  
email: TBA

(E-mail is the easiest way to communicate with me; however, you can also call and leave a message on my voice mail.)

**Office Hours:** Thursdays, 11:00 am to 12:00 pm (other times by appointment)

**Class Web Site:** TBA

**Texts:** Required: *Labor Economics (fourth edition)*, Borjas  
Required: Supplemental readings, available online  
Optional: *Modern Labor Economics (ninth edition)*, Ehrenberg and Smith

**Objectives** This course is an analysis of the labor market and related policy issues. We will examine a variety of theories and evaluate how well those theories explain observed patterns in the data. After taking this course, you will know more about a) observed trends in wages, employment, poverty, education, and other labor market phenomena, b) economic theory useful for policy analysis, and c) empirical methods that economists use to test those theories.

**Prerequisites:** Intermediate microeconomics. Calculus is not required.

**Homework:** There will be 4 to 6 homework assignments throughout the semester.

Students can work together on problem sets, although solutions must be written up and handed in separately. While you can collaborate with others, any homework you turn in must represent your own work.

Each homework assignment is worth 2 points and the grading is as follows: 2 points if all of the problems have been attempted and the all work has been shown, 1 point if only some of the problems have been attempted or if the work is of poor quality, and 0 points if the assignment is not turned in or is late. Note that your homework grade does not depend on whether you get the correct answer, but rather on whether you have made a good faith effort to complete the assignment.

Your answers will be due at the beginning of class, normally one week after a problem set is assigned. Late problem sets will not be accepted for any reason, but you are allowed to skip one problem set without penalty. If you turn in every problem set, the lowest score will be dropped.

**Policy Analysis:** Each student will prepare a policy analysis of an issue related to the labor market (broadly defined). For example, good topics would include immigration reform, minimum wage increases, the establishment of enterprise zones, or changes to the income tax code. Proposals made by presidential candidates would be particularly interesting to study.

The assignment consists of two parts: a brief writeup of the issue along with a policy recommendation (approx. 10 pages), and a short class presentation (approx. 20 minutes). The writeup should provide a concrete policy recommendation, and use economic tools and reasoning to evaluate the pros and cons of the recommendation. The presentation should be clear and concise, and be targeted at a busy, but intelligent elected official.

More details on the assignment will be given later.

**Exams:** There will be two short exams, with dates announced at the beginning of the semester. There will be no make-up exams, and any conflicts or emergencies should be approved by me in advance of the exams.

**Grades:** The following weights will be used to determine your course grade:

Homework:	20%
Policy Analysis (written):	20%
Policy Analysis (class presentation):	20%
Two Exams:	40% (20% each)

If one of the exams is missed for a legitimate reason that has been pre-approved, the other exam will count towards 40% of the final grade.

**Cheating:** Cheating will not be tolerated in this class. If you are caught cheating, helping someone else cheat, or plagiarizing on an exam or other class assignments, you will be penalized. One possible penalty is a failing grade for the class.

**Supplemental Readings:** Below is a preliminary list of supplemental readings.

**SR1:** McGratten, Ellen R. and Richard Rogerson, "Changes in Hours Worked, 1950-2000," Federal Reserve Bank of Minneapolis Quarterly Review, July 2004, 28:1, 14-33.

**SR2:** Blank, Rebecca, "Fighting Poverty: Lessons from Recent US History," Journal of Economic Perspectives, Spring 2000, 14:2, 3-19.

**SR3:** Kahn, Larry, "The Sports Business as a Labor Market Laboratory," Summer 2000, Journal of Economic Perspectives, 14:3, 74-94.

**SR4:** Gottschalk, Peter, "Inequality, Income Growth, and Mobility: The Basic Facts," Journal of Economic Perspectives, Spring 1997, 11:2, 21-40.

**SR5:** Yinger, John, "Evidence on Discrimination in Consumer Markets," Journal of Economic Perspectives, Spring 1998, 12:2, 23-40.

**Schedule:** This is a rough guide, and may change. It is strongly recommended that you complete the reading before coming to lecture.

<u>Topic</u>	<u>Reading</u>
Labor Supply	Chapter 2, SR1
Topics in Labor Supply	Chapter 3, SR2
Labor Demand	Chapter 4
Labor Market Equilibrium	Chapter 5, SR3
Compensating Wage Differentials	Chapter 6
Human Capital	Chapter 7
The Wage Structure	Chapter 8, SR4
Labor Mobility	Chapter 9
Labor Market Discrimination	Chapter 10, SR5