

Economics 470: Theory of Labor Economics

Spring 2010

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Class: 10:30am-11:45am (TYD 2102)
Office: Monday 5:00-6:00 or by appointment

Description: This class is designed to provide an introduction to the theory and practice of contemporary labor economics. The primary focus of this course will be on developing an understanding of the determinants of wage rates and employment levels in labor markets. In this course, the analytical tools of neoclassical economics will be used to examine topics such as: minimum wage law, employment training programs, unemployment, and job search. All students are expected to attend each class and to actively participate in class discussions. Each student must complete all reading assignments before they are discussed in class.

Textbook and Reading: The required textbook is Ehrenberg and Smith, Modern Labor Economics, 10th edition, 2009. Additional readings will be assigned. The readings are all available online with web access through a University network connection or via the UMCP online library research port system (<http://researchport.umd.edu>) at either <http://www.nber.org> or <http://www.jstor.org>. You are responsible for material covered in the lectures, the parts of the readings that can be understood at an undergraduate level, and the parts of the textbook that are assigned and which are relevant to material covered in lecture.

Prerequisite: Economics 326 (Note: This prerequisite is not to be taken lightly; I assume that all students have a good understanding of intermediate microeconomics, the material covered in Economics 326. Economics 422 is helpful but not required.)

Announcements: Announcements will be made in class, on the course webpage and/or through email. In order to receive emails, it is your responsibility to ensure that the email address you have listed in Testudo is current and that your account will accept email from LeeS@econ.umd.edu at all times.

Course Website: <http://elms.umd.edu> You can use your directory ID and password to access copies of this syllabus, problem sets, other course materials, and my record of your grades.

Academic integrity: The University of Maryland, College Park has a nationally recognized Code of Academic Integrity, administered by the Student Honor Council. This Code sets standards for academic integrity at Maryland for all undergraduate and graduate students. As a student you are responsible for upholding these standards for this course. It is very important for you to be aware of the consequences of cheating, fabrication, facilitation, and plagiarism. For more information on the Code of Academic Integrity or the Student Honor Council, please visit <http://www.shc.umd.edu>.

Evaluation: The grade in this course will be based upon the grade received on four homework assignments (20 percent), midterm (40 percent) and final exams (40 percent).

(1) Problem sets: There will be 4 problem sets during the course of the semester. Your completed problem sets will be collected at the beginning of class on the date that they are due. Your problem sets may also be handed in (in person, via email, in my department mailbox, or via fax) prior to the beginning of class on the date that they are due, as long as you ensure that the problem set will be in my possession by the beginning of class (and no later than 11:05 a.m.). Students may work with others to solve problems on problem sets. However, each student must independently write up the answers. That is, you may not copy any part of a problem set from another person. If multiple people turn in problem sets that are close to identical, no credit will be given for any of those problem sets. At the top of each problem set, you must write the names of the people with whom you worked on that problem set (obviously this must be consistent across the group). Ignoring these instructions will be considered a violation of the Honor Code

(2) Exams: Midterm: March 8 (Monday)
Final: will be announced in early February (tentatively May 17).

Important notice:

Answer sheets for the midterm will be distributed in lecture along with the graded exams and will subsequently be available on the website. If you believe there is a problem with the grading of an exam, you should take the following steps: (1) You must first compare your answer carefully to those on the answer sheet. (2) If you still think that a mistake has been made in the grading, you must submit your entire exam back to me with a written explanation of the problem(s). I will review your entire exam, so it is possible that a regrade will result in adjustments up or down to your grade. The date by which all appeals of grading must be submitted will appear on the answer sheet.

Make-up exams for the final will be granted **only** to those students whose excuse complies with University policy. The four valid excuses according to University policy are medical conditions, religious observances, participation in University events at the request of University authorities, and compelling circumstances beyond your control. If you believe you need a make-up for religious observances, you must inform me within the first two weeks of the semester (by February 8, 2010). For the other three types of valid excuses, you should alert me in advance of the final if at all possible by voicemail or email, and you must provide appropriate documentation in order to take a make-up. If you miss an exam and cannot document a valid excuse, your grade will be recorded as a zero. I will accept the form provided by the Health Center(<http://www.health.umd.edu/sites/default/files/newclassexcusepolicy07.pdf>) for only the midterm and not for the final.

If you are registered with the Disability Support Services (DSS) office and need accommodations for exams, please provide me with a University of Maryland DSS Accommodation form which has been updated for Spring 2009.

Tentative Schedule of Lectures

All chapter references are to the text by Ehrenberg and Smith. Any changes to this tentative schedule will be announced in class and via email – you are responsible for keeping track of any such changes.

Weeks 1-2: Jan 25 – Feb 3

Introduction: Chapters 1-2

Weeks 3-4: Feb 8 -Feb 17

The basic model of labor demand: Chapters 3-4

Card and Krueger “Minimum Wages and Employment: A Case Study of the Fast- Food Industry in New Jersey and Pennsylvania,” American Economic Review, September 1994, pp. 772-93. (www.jstor.org)

Weeks 5-6: Feb 22 -Mar 4

Non-wage labor costs, hiring and training costs: Chapter 5

Gruber and Krueger “The Incidence of Mandated Employer-Provided Insurance: Lessons from Workers: Compensation Insurance,” published in D. Bradford ed., Tax Policy and the Economy vol 5, MIT Press. Available in working paper form as NBER Working Paper No. 3557, December 1990 (<http://www.nber.org/papers/w3557>)

Weeks 7: Midterm (March 8)

Weeks 7: March 10

Review

Weeks 8: Spring Break (March 15 – March 21)

Weeks 9 – 10 : March 22 – March 31

The basic model of labor supply - Chapter 6
The household production model of labor supply - Chapter 7

Weeks 11-12: April 5 – April 14

Human Capital: Chapter 9

Weeks 13-14: April 19 – April 28

Worker mobility: Chapter 10

Card, David, “The Impact of the Mariel Boat Lift on the Miami Labor Market,” Industrial and Labor Relations Review, January 1990, pp. 245-257. (www.jstor.org)

Weeks 15-16: May 3 – May 12

Unemployment: Chapter 14

Inequality: Chapter 15

Woodbury and Speigelman, “Bonuses to Workers and Employers to Reduce Unemployment: Randomized Trials in Illinois,” *American Economic Review*, September 1987, pp. 513-530 (www.jstor.org)

Weeks 17: Final exam (tentatively May 17)