Economics 360: LABOR ECONOMICS


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Office Hours: Tue. Thurs. 1:45-3:15 and Wed 10:00-12:00

Brief overview of the class:

This class is offered as an introduction to the way in which labor markets function in the United States and other countries. During the semester, we will discuss a number of topics of interest, including neoclassical and institutional theories of the labor market, wage determination and differentials, the role of education and training and skill acquisition on job selection and compensation, the economic impact of labor unions, the economics of discrimination, and the political economy of unemployment and inflation. In looking at these and other topics, we will develop appropriate theoretical and conceptual frameworks, examine empirical evidence, and consider current and proposed public policy alternatives.

Required readings:


In the bookstore: Labor Economics Econ 360 Bob Horn (spiral bound cheaper than text)

Additional readings will be assigned during the semester

Course requirements:

Exam
We will have 3 exam and a final exam this semester. The format of the exams is flexible and depending upon the material covered will include essays, problems, and short answer questions.

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<th>Exam</th>
<th>% course grade</th>
<th>topics covered</th>
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<td>I, II, III,</td>
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<td>final</td>
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Quizzes

Random 10

Final grades are based primarily on a 10 point scale: 90 – 100: A and so forth. This scale may slide depending upon grades but a 90 average will never be less than an A-, etc.
**Class participation**

Active, intelligent class participation is expected from all students and can raise your semester grade by as much as a full letter. **Failure to participate, frequent absences etc. will cost you a similar amount.** Finally anyone observed texting, tweeting, playing computer games, etc. during class will find their final grade lowered by a full letter for each time they are observed doing so.

Students have TWO weeks from the time I give back an exam (not when you retrieve it) to ask questions regarding the exams. This pertains to exam scoring, grading or re-grading an exam, missed questions etc. Do not come by the last week of the semester with a question about how the first exam was scored.

**JMU honor code**

All students are expected to be aware of and adhere to the J.M.U. Honor code. Classes will meet as scheduled unless cancelled by JMU or some higher authority.

“University policies regarding Adding/Dropping Courses, Disability Accommodations, Inclement Weather Instructions, and Religious Observation Accommodations: Please see [www.jmu.edu/syllabus](http://www.jmu.edu/syllabus). “
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Course outline, Topics and Required Readings:

I. Introduction to the study of labor economics:

In this opening section, we will discuss the subject matter of labor economics and how and why labor economics differs from other fields of economic inquiry. Borjas: chapter 1.

II. Labor Supply: Measurement and individual choice

In this section, we will first look at the various measurements of employment, unemployment, and labor force participation. The core of this section is the development of the individual choice theoretic model of labor supply using indifference curves and time budget lines. This model will be used to determine labor market participation, decisions concerning labor supply, and welfare policy. End of chapter problems: 2,4,5,7,9,10,12.

Borjas: chapter 2.


III. The demand for labor

In this section we will review the neoclassical theory of the demand for an input. Topics will include the production function, marginal revenue product, short and long run labor demand, labor demand elasticity and related policy applications. End of chapter problems: 3,4,7,8,9,10,12.

Borjas; chapter 3.

IV. Wage determination and differentials

In a competitive labor market, the interaction of demand and supply determine the equilibrium wage and quantity of labor. How do outcomes vary when markets are not competitive, when there is either monopsony or monopoly power? We will also address
wage differentials across jobs and develop and use a “hedonic” model of wages. End of chapter problems: chapter 4: 2,4,7,8,9,12; chapter 5: 4,5,10.

Borjas; chapters 4 and 5

V. Human capital theory

Participants in the labor market usually make some types of investments aimed at enhancing their current and or future productivity. These investments often include education and on the job training. In this section, we will study the ways people invest in themselves and the differing returns to these investment decisions. End of chapter problems: chapter 6: 1,4,5,9 chapter 7: 1,2,3,4a,10.

Borjas; chapters 6 and 7
Becker, Gary. Human Capital- A Theoretical and Empirical Analysis (excerpt)

VI. The economics of discrimination

Despite civil rights legislation, equal opportunity, affirmative action programs, etc., women, African Americans, and other minority workers remain over represented in lower paying, lower status jobs and suffer spells of unemployment far more frequently than white males. In this section, we will examine empirical evidence, contrast alternative theories of labor market differences and address relevant public policies aimed at reducing the impact of labor market discrimination. End of chapter problems: 2, 3, 4, 5, 7, 10

Borjas; chapter 9.
Doeringer, Peter and Michael Piore. “Theories of the Low-Wage Labor Market”

VII. The economic impact of labor unions

Few institutions are more widely discussed, yet less understood, than labor unions. While a full discussion of labor union history and union structure is beyond the scope of this class, our goal here is to analyze union impacts on wage structures and worker productivity. End of chapter problems: 5,7,810.

Borjas; chapter 10.

VIII. Labor macroeconomics: unemployment and inflation

In this one section dealing with topics in labor macroeconomics, we will look into the types of unemployment and related public policies and examine the impact of various fiscal and or monetary policies on the functioning of labor markets. End of chapter problems: 3,7,9,14.
Borjas; chapter 12