Welcome. I am Prof. Jeffrey S. Zax. This is Economics 8676, Seminar -- Labor Economics I. This class will meet on Mondays and Wednesdays from 10:30 a.m. to 11:45 a.m. in Economics 5. I will hold regular office hours between 2:00 p.m. and 3:00 p.m. on Mondays and Wednesdays in my office, Economics 111. Appointments can be made for meetings at other times.

This course will explore static and dynamic models of labor demand, job matching and job hierarchies, wage inequality, employment change, discrimination in the labor market, the composition of compensation, the balance between authority and participation in the workplace, the economics of unions, and the macroeconomics of labor markets. Prerequisites are a previous graduate course in microeconomic theory and some previous exposure to econometric analysis.

The final examination for the course will take place on Tuesday 8 May, 7:30 a.m.- 10:00 a.m. It will be worth 150 points. A midterm examination will take place following section III, on approximately 13 March. It will be worth 70 points. In addition, all students will work on joint empirical papers, under my direction. A draft of this paper will be due on 1 May. It will be worth 100 points. I expect that these papers will address the firm-size wage effect and the composition of compensation, using recent surveys.

The course as a whole, then, is valued at 350 points. The score attained by each student, evaluated relative to the score that would be attained by an intelligent student of labor economics, will determine final letter grades. The tentative course schedule follows:

I. Demand
   A. Static models of labor demand 4 lectures
   B. Dynamic models of labor demand 2 lectures
   C. Job matching and career evolution 2 lectures

II. Wages
   A. Wage and earnings inequality 2 lectures
   B. The composition of compensation 1 lecture
   C. Incentives 2 lectures

III. Employment: Job stability 2 lectures

IV. Power
   A. Labor market discrimination 3 lectures
   B. Authority and structure 2 lectures
   C. Participation and productivity 2 lectures
   D. Division of the surplus 2 lectures
   E. The economics of unions 2 lectures

V. Labor economics and macroeconomics 2 lectures
I.A. Static labor demand

1. Demand theory

Intrilligator, Michael D., Mathematical Optimization and Economic Theory, Chapter 8.

Hicks, John. Theory of Wages, Chapter 1, Appendix.


2. Substitution

a. Theoretical papers


b. Empirical papers


I.B. Dynamic labor demand


I.C. Job matching and career evolution

1. Theoretical papers


2. Empirical papers


II.A. Wage and earnings inequality


II.B. The composition of compensation


II.C. Incentives

1. Theoretical papers


2. Empirical papers


**III. Employment: Job stability**


**IV.A. Labor market discrimination**

**A. Theoretical papers**


Mailath, George J., Larry Samuelson and Avner Shaked (2000) "Endogenous inequality in intergrated labor markets with two-sided search", The American

**B. Empirical papers**


**IV.B. Authority and structure**

1. Theoretical papers


2. Empirical papers

Gordon, David M. (1994) "Bosses of different stripes: A cross-national perspective on


IV.C. Participation and productivity

1. Theoretical papers


2. Empirical papers


IV.D. Division of the surplus

1. Theoretical papers


Stole, Lars A. and Jeffrey Zweibel (1996) "Organizational design and technology

2. Empirical papers


IV.E. The economics of unions

A. Theoretical papers


B. Empirical papers


V. Labor economics and macroeconomics


Appendix: Books of which you should be aware


Davis, Steven J., John C. Haltiwanger and Scott Schuh (1996) Job Creation and

