Goal:
The purpose of this course is to present the modern theory of labor market behavior, to examine empirical evidence on each theoretical hypothesis, and to illustrate the usefulness of theory for the analysis of public policies dealing with the labor market. The employment relationship is fundamental in our individual lives and in the national economy. For example, compensation of employees in the U.S. is usually three times as large as all other components of personal income (including investment income, self employment, pensions, and government welfare programs).

Our effort to examine modern neoclassical labor market theory, policy applications, and evidence will be accomplished with the aid of a basic textbook, *Contemporary Labor Economics* by McConnell and Brue and readings from the *Wall Street Journal*. Students are urged to subscribe to the *Wall Street Journal* at the special student rate and to buy a copy of the *Student Workbook* that accompanies the text, prepared by Norris A. Peterson (New York: McGraw Hill, 2nd ed. 1989).

Grading:
Your final grade will be based on two midterms (25 percent each), a final comprehensive exam (45 percent), and class attendance and participation (5 percent). With the permission of the instructor a paper (not longer than 10 pages) may be substituted for either midterm.

Any student enrolled for graduate credit in Economics 5616 will be required to prepare a term paper of approximately 20 typewritten pages (double spaced) and may be assigned additional readings. Graduate students must take all class exams in addition to the term paper assignment.

Special Learning Problems:
Students frequently encounter special obstacles which hurt their academic performance. These include such things as excessive test anxiety, inability to take useful class notes, lack of experience in taking and preparing for particular type examinations (multiple choice, essays, graphical interpretations, etc.). Some students typically operate under harmful time pressures if English is not their native language. Even native English speakers sometimes experience this problem. If you experience one or several of these problems, make a point to confer with the professor about it - and early during the term.

Content:
In a world of scarce resources, the efficient solution of the problem of determining "who does what and at what rates of pay" is crucial. In market economies the answer is derived from employer-employee transactions in the labor market. This process allocates labor to occupation, firms, industries, and regions of the country.

We shall approach an understanding of this process by systematically examining several relationships: that between wages and employment opportunities; the effect of wages and other income on the decision to participate in the labor market; the influence of market incentives on occupational choice; the use of wages to compensate for undesirable job characteristics; the reasons for and consequences of investment in education and training; and the influence of unions on wages, productivity, and labor turnover.

In addition, we shall probe into the employment and wage effects of such policy measures as the legal minimum wage, overtime, pension reform, occupational safety and health laws, welfare reform, payroll taxes, unemployment compensation, immigration policy, changes in the mandatory retirement age, and antidiscrimination laws.

Throughout this analysis we shall attempt to identify the causes of market failure which lead to government intervention and to evaluate the prospects for successful intervention.

Finally, we shall attempt to place the study of the labor market into the context of such modern foci of analysis as implicit contract models, efficiency wages, principal/agent relations, transactions costs, and job market search and signalling.
Class Day | Assignment
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Th. Jan. 24, 1991 | Ch. 2, Continued
Tu. Jan. 29, 1991 | Ch.3, Labor Force Participation Rates and Hours of Work
Th. Jan. 31, 1991 | Ch.3, Continued
Tu. Feb. 5, 1991 | Ch.4, Labor Quality: Investing in Human Capital
Th. Feb. 7, 1991 | Ch.4, Continued
Tu. Feb. 12, 1991 | Ch.5, Demand for Labor
Th. Feb. 14, 1991 | Ch.5, Continued (including appendix)
Tu. Feb. 19, 1991 | Ch.6, Wage Determination and Resource Allocation
Th. Feb. 21, 1991 | Ch.6, Continued
Th. Feb. 28, 1991 | Ch.7, Continued
Tu. Mar. 5, 1991 | Ch.8, The Economic Impact of Unions
Th. Mar. 7, 1991 | Ch.8, Continued
Tu. Mar. 12, 1991 | Ch.9, Government and the Labor Market: Employment, Expenditures and Taxation
Th. Mar. 14, 1991 | EXAM #1
Th. Mar. 21, 1991 | Ch.11, Labor Market Discrimination
Tu. Apr. 2, 1991 | SPRING BREAK
Th. Apr. 4, 1991 | Ch.11, Continued
Tu. Apr. 9, 1991 | Ch.12, The Wage Structure
Th. Apr. 11, 1991 | Ch.13, The Personal Distribution of Earnings
Tu. Apr. 16, 1991 | Ch.14, Mobility, Migration and Efficiency
Th. Apr. 18, 1991 | Ch.14, Continued
Th. Apr. 23, 1991 | EXAM #2p
Tu. Apr. 25, 1991 | Ch.15, Critiques of Orthodox Wage Theory
Th. Apr. 30, 1991 | Ch.18, Employment and Unemployment
Tu. May 2, 1991 | Ch.19, Wages and Inflation
Th. May 9, 1991 | Final Exam (Regular Classroom)  11:30am - 2:30pm