APEC 5511: LABOR ECONOMICS
Fall 2003
3 credits

Instructor: Professor Elizabeth (“Liz”) Davis
Email: edavis@apec.umn.edu
Office Location: 317E Classroom Office Building
Telephone: 612-625-3772
Office Hours: Tuesdays 11:30-12:00,
Wednesdays 2:00-3:00, and by appointment
Email is the best way to contact me.

Course Description: This course examines the economics of labor markets, including theories of labor supply and labor demand, determination of wages, human capital theory, labor unions, and unemployment. Both theoretical models and empirical applications will be discussed. The course will consider policy applications including income tax and welfare policy, minimum wage laws, and wage subsidies.

Course procedures and requirements: The course will be a combination of lecture and class discussion, with students leading some of the discussion. Students are expected to read the assignments ahead of class and be prepared to discuss the readings. Additional readings may be assigned and short in-class writing assignments may be given.

Required Readings:

Other readings: Readings for the course in addition to the text are on reserve in the Waite Library (on the second floor of the Classroom Office Building). Many of the articles are available on the web, either through www.jstor.org (JSTOR) or at the site listed.

Grading:
Class participation 10%
Midterm exam 20%
Homework/problem sets 20%
Paper 25%
Final exam 25%

Incompletes are rarely given and are only granted after the student and Professor Davis have agreed upon a timetable (in a written contract) for the completion of all coursework. Incompletes must be requested in advance.

Exams: The midterm exam is worth 20% your course grade, and the final is 25%. The final exam will cover material from the entire semester.
**Class participation** accounts for 10 percent of your grade. Class participation includes asking and answering questions and demonstrating that you have done the reading and tried to understand the material. Attendance in class is expected, however if you must miss a class, please let me know by email.

**Homeworks/problem sets:** Homework assignments will consist of a combination of theoretical problem solving or short answer questions and empirical exercises to give you experience with the data, methods, and problems typically encountered by labor economists. There will be 3 or 4 problem sets during the semester.

**Paper:** The paper is intended to provide an opportunity for you to explore a topic or issue in labor economics in greater detail. Papers should be between 8 and 12 pages in length (excluding references), double spaced, and must include complete references (including weblinks, if used). You may choose from a list of suggested topics or identify your own, subject to instructor approval. A brief description of your topic and paper outline is due Nov. 4. If you have questions about a possible paper topic, please talk with me before Nov. 4. The paper is due December 12.

**SCHOLASTIC DISHONESTY**
"The College of Liberal Arts defines scholastic dishonesty broadly as any act by a student that misrepresents the student's own academic work or that compromises the academic work of another. Examples include cheating on assignments or exams, plagiarizing (misrepresenting as one's own anything done by another), unauthorized collaboration on assignments or exams, or sabotaging another student's work."

Academic dishonesty in any portion of the academic work for a course shall be grounds for awarding a grade of F or N for the entire course.

If you have any concerns or questions about what constitutes scholastic dishonesty or plagiarism, please talk with me.

**Disabilities:** Students with disabilities that affect their ability to participate fully in class or to meet all course requirements are encouraged to bring this to my attention so that appropriate accommodations can be arranged.

**Sexual Harassment:** University policy prohibits sexual harassment as defined in the December 1998 policy statement, available at the Office of Equal Opportunity and Affirmative Action. Questions or concerns about sexual harassment should be directed to the Office of Equal Opportunity and Affirmative Action, located in 419 Morrill Hall.
Required Readings:


Other readings: Additional required readings for the course on reserve in the Waite Library (on the second floor of the Classroom Office Building). Many of the articles are available on the web, either through [www.jstor.org](http://www.jstor.org) (JSTOR) or at the site listed.

**NOTE:** Students are expected to complete the readings prior to class.

Sept. 2  Introduction to Labor Economics
Sept. 4  Overview of the Labor Market
-- K&H, Ch. 1

Sept. 9  Labor Demand: Marginal Productivity Theory
-- K&H, Ch. 4, including Appendix 4A

Sept. 11 Labor Demand in the Long Run
-- K&H, Ch. 5 and Appendix 5A (Skip pp. 247-254)

Sept. 16 Costs of Employment

Sept. 18 Labor Supply: Hours of Work and Labor Force Participation
-- K&H, Ch.2 (skip pp. 62-69 for now), and Appendices 2B, 2C
-- K&H, Ch.3, pp. 115-124 only and App. 3B

Sept. 23 Labor Supply: Household Models and Home Production
-- K&H, Ch.3 (pp.124-162) and App. 3B
Sept. 25  Estimation of Labor Supply Functions  
-- K&H, Appendix 2C 

-- K&H, pp. 62-69 

Oct 2  Labor Market Adjustment and Wage Determination  
-- K&H, Ch 6 

Oct. 7  Labor Market Policies: Minimum Wages  

Oct. 9  Human Capital Theory  
-- K&H, Ch. 7, App. 7A

Oct. 14  Estimating Earnings Equations  
-- K&H, App. 7B 

Oct. 16  More on Earnings Equations  

Oct. 21  MIDTERM EXAM
Oct. 23  Occupational Wage Differences and Compensating Differentials  
-- K&H, Ch. 8  

Oct. 28  Alternative Models of Labor Markets: Labor Market Segmentation  
-- K&H, Ch 6, pp. 302-307  

Oct. 30  Alternative Models: Efficiency Wages and Internal Labor Markets  
-- K&H, pages 515-521 and 534-543  

Nov. 4  Paper topics/outlines due in class  
Alternative Models of the Labor Market: Behavioral Economics  

Nov. 6  NO CLASS

Nov. 11  Wage Structure and Wage Inequality  

Nov. 13  Wage Inequality and Trade  
-- R. Freeman “Are Your Wages Set in Beijing?” J. of Economic Perspectives v.9 no.3 (Summer 1995), pp. 15-32. (JSTOR)  
--- A. Wood “How Trade Hurt Unskilled Workers.” J. of Economic Perspectives v.9 no.3 (Summer 1995), pp. 57-80. (JSTOR)
Nov. 18  Labor Market Discrimination
-- K&H, Ch.9, App. 9A

Nov. 20  Labor Market Discrimination

Nov. 25  Labor supply and demand in developing countries

Nov. 27  NO CLASS -- THANKSGIVING

Dec. 2  Labor policy in developing countries

Dec. 4  Labor Unions and Collective Bargaining
-- K&H, Ch .10 (skim), Ch. 11

Dec. 9  The Economic Impact of Unions
Dec. 11  Unemployment
-- K&H, Ch. 12

Dec. 12  Papers due (turn in at my office, 317E Classroom Office Building)

Dec. 17  Final Exam, 10:30-12:30 in Room B35, Classroom Office Building