Labor Economics 233
Professor Ken Burdett
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Office hours Tuesday 12.30-2.00 pm

The objective of the course is to present the basic elements of modern labor economics. In particular, I plan to present the basic tools (models) of modern labor economics and show how they are used in policy analysis and empirical work. The textbook I will use is Labor Economics (5th edition) by George Borjas (McGraw-Hill Irwin). We shall pretty much work through the book. I will go through the two most important chapters (2 and 3) at a slower rate than the others.

The course evaluation will be as follows.
(a) There will be two midterm examinations (30% each).
(b) There will be three take home examinations (10% each).
(c) There will be a five to six page essay (10%).
(d) THERE IS NO FINAL.

I will expect students to know what is in the relevant chapters. I will lecture on those elements of the chapters that I think students may have difficulties with. Those things not covered in lectures are important and questions can be asked on them.

The lectures will be roughly be as follows:

**January, 2011**
10  Introduction and course outline
12  Labor Supply. Some labor supply facts. The basic labor/leisure model
17  Labor Supply. Derivation of labor supply. Income and substitution effect. Elasticities
19  Labor supply. Policy applications
24  Labor Demand. The production function and the employment decision in the short run
26  Labor Demand. The labor demand in the long run. Elasticity of Substitution. Elasticities
31  Labor Demand. factor demand with many inputs. The minimum wage.

**February**
2  Labor market equilibrium (in the short run). Payroll taxes. Mandated benefits. *(first take-home handed out in class).*
7  Labor market equilibrium. Immigration. Comparative advantage. Absolute advantage. *(first take-home handed back in class)*
9  Compensating wage differentials. Risky jobs. The hedonic wage function. Job amenities
14  Compensating wage differentials. Policy. Health insurance and the labor market
16  **First midterm examination**
21  Human capital: Education and the labor market. Present value. The rate of return
23  Human capital. Policy analysis. The signaling model.
March
1  Wage structure. Why has inequality changed. Earning of the rich. Intergenerational inequality.
6  Spring Break
8  Spring Break
13 Labor Mobility. Migration. The facts. Who moves?
15 Labor mobility. Job turnover. Matching. Specific and general training. Age-earning profile. (second-take-home handed out in class)
20 Discrimination. Types of discrimination. Measuring discrimination. A taste for discrimination. (second take-home handed back in class)
22 Statistical discrimination. The economics of discrimination.
29 Labor Unions. Strikes. The public sector
31 Incentive pay schemes. Piece rates and time rates. Tournament.

April
5 Unemployment. The facts. The types of unemployment. The search model. (3rd take-home handed out in class)
10 Unemployment. Flows and stocks. The steady-state model. (3rd take home returned in class)
12 Job Search (Essay returned in class)
17 The Phillips curve
19 Review.
24 Second Mid-term