Economics of the Employment Relationship
37:575:325:01
Spring 2013

Instructor: Fuxi Wang
Office: LEC PhD Office
Office hours: By appointment
Phone: 224-848-0693
Email: fw73@eden.rutgers.com

Class Time: W 9:15 a.m. – 12:15 p.m.
Class Location: C/D – Hickman Hall – Room 202

The schedule and assignments are subject to change. All students must maintain an email account and check it for changes in the course schedule or requirements. Please keep the instructor informed of your current email address.

Text: There is no text. Readings from a variety of sources are posted on Sakai. Additional required readings may be added by the instructor to what is on this preliminary syllabus.

For those who are used to using text, an optional text: Modern Labor Economics: Theory and Public Policy, by Ronald Ehrenberg and Robert Smith (New York: Prentice Hall, 11th edition) is recommended (not required).

Class and Preparation for Class

Class will include lectures, small group discussions, and problem sets done in class (or begun in class and due the next class). It is important to:

- **Be prepared for class**. Always read the material assigned for a class before the class. Check your email Tues. evening for class announcements.
- **Be present and be on time**. You start with an "A" for attendance, but your grade for attendance will decline each time you are absent, late, or leave early. You should obtain lecture notes from another student if you are forced to miss a class. These are not provided by the instructor or by teaching assistants.
- **Participate in discussions and group activities**. Explain your views. Ask questions. Also listen – don't monopolize the discussion or ignore other views. Do your share of the work on problem sets. Help others if you understand and they do not. ***This is particularly essential for international students!***
- **Take careful lecture notes**.

You are responsible for reading, and following, the "Plagiarism Guidelines" posted on Sakai . Please read those guidelines and keep them in mind.

Evaluation

For purposes of grading, there are five components of the course:

- Class preparation, attendance, and participation (10%)
- Problem sets (10 %)
- Data projects (10%)
- First midterm exam. The midterm is closed-book but you may bring one notecard or sheet of paper no larger than 4x6 inches with notes on it. (30%)
- Second midterm exam. (40%). The same rules apply as for the first mid-term.

The following schedule is subject to change; readings should be completed before class.

WEEK 1 Jan. 23: Introduction and overview of the class

WEEK 2 Jan. 30: Fundamentals of markets, labor markets, and labor economics

SMLR Librarian Donna Schulman will be visiting for part of the period this week. Be sure to be present to learn essential information for the data projects and to get your data project assignment.

1. For a review of basic supply/demand theory:

Tom Gorman, Chap. 4, "Supply, Demand, and the Invisible Hand," *The Complete Idiot's Guide to Economics*, NY: Alpha Books, 2003, pp. 47-65.

2. Is labor economics simply the application of this theory?

Lloyd G. Reynolds, Stanley H. Masters, and Colletta H. Moser, *Labor Economics and Labor Relations*, 11th edition. (Prentice-Hall, 1998), Part of Chapter 1, "Labor Economics: Institutions and the Market," pp. 1-8.

WEEK 3 Feb. 6: Labor supply, Part I – the Demographic Dimension

First data projects are due in class.

1. The following chapter was written in the mid-1980s but is still a valuable overview:

Ray Marshall and Vernon M. Brigg, Jr. *Labor Economics: Theory, Institutions, and Public Policy*, 6th edition (Irwin, 1989), Chapter 6, "The Supply of Labor," pp. 132-58.

2. The global context of labor supply:

Richard Freeman, "The Great Doubling: Is Your Job Going to Bombay or Beijing?" in *America Works: Critical Thoughts on the Exceptional U.S. Labor Market.* New York: Russell Sage Foundation, 2007, pp. 128-140.

WEEK 4 Feb. 13: Labor supply and hours of work: The theory

1. For the basic model read:

Lloyd G. Reynolds, Stanley H. Masters, and Colletta H. Moser, *Labor Economics and Labor Relations*, 11th edition. (Prentice-Hall, 1998), Part of Chapter 3, "Labor Supply Decisions," pp. 42-52.

2. For an application to the issue of labor market participation, read:

Francine D. Blau, Marianne A. Ferber, and Anne E. Winkler, *The Economics of Women, Men, and Work*, 3rd ed. (Prentice Hall, 1998), pp. 86-99.

WEEK 5 Feb. 20: Labor demand for the individual firm

1. For the basic model read:

Ray Marshall and Vernon M. Brigg, Jr. *Labor Economics: Theory, Institutions, and Public Policy*, 6th edition (Irwin, 1989), pp. 159-66.

WEEK 6 Feb 27: Wage determination: competition, monopsony and compensating differentials

1. Wage determination under competition and monopsony:

Bruce E. Kaufman and Julie L. Hotchkiss, *The Economics of Labor Markets*, 7th edition, (South-Western College Publishing, 2006), Chapter 6, pp. 260-281.

2. The theory of compensating differentials:

Bruce E. Kaufman and Julie L. Hotchkiss, *The Economics of Labor Markets*, 7th edition, (South-Western College Publishing, 2006), Chapter 8, pp. 390-97.

WEEK 7 Mar. 6: Labor demand elasticity and the minimum wage

1. Elasticity of labor demand:

Lloyd G. Reynolds, Stanley H. Masters, and Colletta H. Moser, *Labor Economics and Labor Relations*, 11th edition. (Prentice-Hall, 1998), pp. 90-92.

2. Economic Analysis of the minimum wage:

Bruce E. Kaufman and Julie L. Hotchkiss, *The Economics of Labor Markets*, 7th edition, (South-Western College Publishing, 2006), part of Chapter 6, pp. 281-95.

Economic Policy Institute (EPI), Minimum Wage Issue Guide. Review Figures 1-5 and Tables 1-5. Optional reading, Liana Fox, "Minimum Wage Trends: Understanding Past and Contemporary Research."

WEEK 8 Mar. 13: Midterm exam

WEEK 9 Mar. 27: Education and training: The Economics of Human Capital

Ronald G. Ehrenberg and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, 11th edition, Chapter 9, "Investments in Human Capital: Education and Training," pp. 278-318.

Francine D. Blau, Marianne A. Ferber, and Anne E. Winkler, *The Economics of Women, Men, and Work*, 3rd ed. (Prentice Hall, 1998), "On-the-Job Training Investment Decision," pp. 170-172.

WEEK 10 Apr. 3: The Economic Effects of Unions

Bruce E. Kaufman and Julie L. Hotchkiss, *The Economics of Labor Markets*, 7th edition, (South-Western College Publishing, 2006), Chapter 12, pp. 626 – 659.

WEEK 11 Apr. 10: Discrimination in the U.S. Labor Market

Francine D. Blau, Marianne A. Ferber, and Anne E. Winkler, *The Economics of Women, Men, and Work*, 3rd ed. (Prentice Hall, 1998), Chapter 7, "Differences in Occupations and Earnings: The Role of Labor Market Discrimination," pp. 185-233.

WEEK12 Apr. 17: Earnings Trends in the U.S.

Richard B. Freeman, "Are Your Wages Set in Beijing?" *Journal of Economic Perspectives*, Vol 9, No. 3 (Summer 1995). Pages 15-22 and the conclusion (pp. 30-31) are required; the rest of the article is optional reading.

Nicole Fortin and Thomas Lemieux, "Institutional Changes and Rising Wage Inequality: Is There a Linkage?" *Journal of Economic Perspectives*, Vol. 11, No. 2 (Spring 1997), Pages 75-81 and the conclusion (p. 94) are required; the rest of the article is optional reading.

WEEK 13 Apr. 24: Unemployment and the Great Recession

Joseph Stiglitz, *Freefall: America, Free Markets, and the Sinking of the World Economy*. (New York: Norton, 2010), pp. 58-76 and 188-205.

Nouriel Roubini and Stephen Mihm, *Crisis Economics: A Crash Course in the Future of Finance, Paperback edition.* (New York, Penguin, 2011).

Additional readings to be determined.

WEEK 14 May 1: SECOND MIDTERM EXAM