COURSE DESCRIPTION

Microeconomic theory is concerned with the functioning of markets, or collections of buyers and sellers of some good or service. The behaviors of these buyers and sellers collectively determine both the market price and quantity of the good (or service) in question. Our focus in this course is on the market for labor services. In this market the buyers are called employers and the sellers are called employees or workers. The behavior of the buyers, or employers, gives rise to the theory of labor demand. The behavior of the sellers, or workers, gives rise to the theory of labor supply. Labor demand and supply are the fundamental building blocks of the field of labor economics, and our study begins by developing both topics in considerable detail. We then progress to the synthesis of labor supply and demand, considering the behavior of the buyers and sellers simultaneously, which determines the equilibrium prices and quantities of labor services. The prices we typically call wages or, more generally, employee compensation. The quantities we typically call employment, which we understand to mean the number of people who work and the amount of time and effort they expend working. The bulk of the course covers this core material on labor demand, labor supply, and the wages and employment resulting from their interaction. The course concludes with various special topics in labor economics, including unions, earnings inequality, unemployment, and issues that arise when the sellers of labor services are differentiated by their gender, race, and ethnicity.

Readings:
The primary text is Modern Labor Economics, 13th edition, by Ehrenberg and Smith (ES). A supplementary text is The Economics of Women, Men, and Work, by Blau and Winkler (BW). These books are available to purchase online. I have also placed them on electronic reserve at the DuBois Library.
**Prerequisites:**
A strong prior knowledge of microeconomic theory is assumed, as is facility with basic calculus and graphical methods. The prerequisite for the course is Intermediate Microeconomics (Economics 203, Resource Economics 202, or equivalent). Students wishing to brush up or catch up on microeconomic theory should consult one or more of the numerous introductory and intermediate textbooks on the subject. An excellent text is Hal Varian’s *Intermediate Microeconomic Theory*.

**Course Moodle website:**
I will post announcements, solutions to the homework problems and exams, and other useful material on the course Moodle website. All students registered for the course have access to this site and should check it regularly. Recordings of our live zoom lectures will also be linked on the course Moodle website after the lecture.

**Course Requirements:**
- 2 Midterm Examinations (roughly 30% of the grade)
- Final Examination (roughly 40% of the grade)
- Attendance and Participation (extra credit for borderline grades)

*Practice Homework Problems*
I will periodically distribute practice problems. These problems do not need to be turned in but you are strongly encouraged to work through them as they will help you in preparation for the exams.

*Examinations*
The first midterm will be given on **Thursday September 24, 2020**, and the second midterm on **Thursday October 22, 2020**, during class time. Keep these dates in mind, and also the date of the final exam once it is announced by the registrar’s office. It is your responsibility to be informed about any changes to the exam dates announced in class.

**Procedural Matters:**
- **Regrade Policy:** Students may request a regrade of their midterm examinations within 3 days after the examination is returned or, in the case of the final examination, within the first 3 days of the next term that the student is in residence. Such a request must be submitted in writing and must articulate clearly and concisely the point(s) of contention, providing an extraordinarily compelling case that the original grade was faulty. Students should be forewarned that the entire examination will be subject to regrading, not simply the question(s) in contention. The new grade will be immutable and may be higher, lower, or the same as the original grade.

- **Attendance:** It is important to attend lectures since material covered in lectures is a complement to, not a substitute for, the material in the readings. Live lectures will be recorded on zoom and linked on the course Moodle website. Students who miss live lecture are responsible for obtain missed materials from the zoom recordings or other students in the class.
Students with Special Needs: Students with special needs must have the relevant university officials contact the instructor immediately to determine the appropriate reasonable accommodation. It is the student’s responsibility to ensure that the instructor has been notified promptly and to respond quickly to any inquiries she makes.

Course Outline

I. The Demand for Labor Services

• Profit Maximization, Labor Demand, Product Market Conditions
  ES: Chapters 1-3
  BW: Chapter 1

• Labor Demand Elasticities
  ES: Chapter 4

• Quasi-Fixed Costs of Labor
  ES: Chapter 5

II. The Supply of Labor Services

• Labor Supply Theory based on Consumption/Leisure Choice
  ES: Chapter 6

• Theory of Household Production
  ES: Chapters 7
  BW: Chapters 3-4

• Life Cycle Labor Supply
  ES: Chapters 7

• Investments in Education and Training
  ES: Chapter 9

III. Wages and Wage Differentials

• Compensating Differentials and Hedonic Wage Theory
  ES: Chapter 8

• Gender, Race, and Ethnicity in the Labor Market
  ES: Chapter 12
  BW: Chapters 5-12

• Earnings Inequality
IV. Labor Mobility and Unemployment

- Migration, Immigration, and Turnover
  ES: Chapter 10

- Unemployment
  ES: Chapter 14

V. Labor Contracts

- Employment Contracts, Incentives, Compensation within Firms
  ES: Chapter 11

- Unions
  ES: Chapter 13