Exam 2 Study Guide

ECON 380
UNC Chapel Hill

Stuff to know for exam 2:

Competitive Markets

1. How to find equilibrium wage and employment level given labor supply and demand equations

2. How to find employment and unemployment level under a binding minimum wage

3. How to find producer, worker, and total surplus from a graph

4. How to find producer, worker, total surplus, and DWL under a binding minimum wage

5. Be able to explain why the allocation of resources (i.e., the equilibrium employment level) is efficient in a labor market with no externalities

6. How the free entry/exit of workers (or firms) across regions will eventually lead to a single equilibrium wage

Immigration Impacts

1. Short-run vs long-run effects of migration in the case of perfect substitutes and how to reflect this on a graph

2. Short-run vs long-run effects of migration in the case of complements and how to reflect this on a graph

3. Welfare implications if migrants are perfect substitutes: who is better off, who is worse off? What is the effect on total welfare?

Noncompetitive Labor Markets

1. Welfare implications in a market with a perfectly discriminating monopolist

2. Under a non-discriminatory monopolist, what is the relationship between the marginal cost of hiring labor and the wage rate?

3. What is the implication of this relationship on the number of workers employed when compared to a perfectly competitive market or perfectly discriminating monopsonist

4. What are the welfare impacts under a non-discriminating monoposonist?

5. How to find PS, WS, TS, and DWL from a graph under this structure

6. Can a minimum wage improve the allocation of resources in this case?

7. What is the "optimal" minimum wage that maximizes total surplus?

LMDCs

1. Know 2-3 of the main differences between labor markets in developed and developing countries as described by Fields (2011)

2. Know 2-3 of the differences between "traditional" and "modern" labor markets from Campbell & Ahmed (2012)

3. What are the two possible explanations for why labor markets are segmented?

4. Arias & Khamis (2008) found evidence for both segmentation stories. In which sector (self-employed or informal work) did they find evidence for the "exclusion view" and in which did they find evidence for the comparative advantage story?

5. Why might the income effect due to a wage drop be stronger in developing countries? (Jayachandran 2006)?

6. What were the results on women's labor market participation as a result of the program analyzed in Jensen (2012)?

Human Capital Theory

1. What has been the trend in the proportion of people without a HS degree over the last 70 years? In the proportion of people with a college degree?

2. How has the relative pay of those with a college degree compared to those without a HS degree changed since 1975? What about the relative pay of those with some college compared to those with no HS degree?

3. How to find present value and net present value

4. How to find an individual's optimal choice from two choices with different costs/future earnings

5. What is the relationship between r and an individual's college choice?

The Schooling Model

1. How to find MRR given an individual's wage-schooling locus (both from a table or a graph)

2. What are the properties of the MRR curve?

3. How to find individual stopping choice given MRR schedule and an individual's discount rate (both from a table or a graph)

4. How does an individual's choice change with r?

Estimating the Returns to Schooling

1. Why might two individuals differ in their schooling choices?

2. If individuals have different rates of discount, how does that affect their optimal schooling choice? Can we accurately estimate MRR if individuals differ only in their discount rate?

3. If individuals have different ability levels, how does that affect their optimal schooling choice? Can we accurately estimate MRR if individuals differ in ability?

4. Why might unobserved ability bias MRR estimates upwards? Downwards?

5. What methods have been attempted to deal with ability bias? What are some of the drawbacks of each?

6. Know 2-3 of the other issues that come up when estimating the returns to schooling

Job Market Signaling

1. What is the basic idea of the signaling model?

2. Under a pooling equilibrium, who is better off? Worse off?

3. Know how to find threshold level of earnings or school level given information about worker productivity and costs of education (e.g., homework question and example from class)

4. Can we easily separate the productivity enhancing component of schooling from the the "sheep-skin effect"? Why or why not?

Human Capital and Development

1. Homework 4 questions about Duflo (2001) and Jensen (2010)

2. What was the intervention analyzed in Miguel & Kremer (2004)? At what level was the intervention randomized (e.g., individual, school, village)? What were the impacts of the intervention on treated children? Untreated children?

3. How has access to healthcare changed in low-income countries in recent years? What two tools are generally used to measure the quality of healthcare? Broadly speaking, how is the quality of care in developing countries? (Das, et al. 2008)