

Professor Chris Walters

Spring 2019

Economics 152 - Wage Theory and Policy

Description

Why are people paid what they're paid? We will consider this question using the tools of modern labor economics. Specifically, this course will cover theoretical models and empirical evidence on wage and employment determination. Special emphasis will be placed on understanding the effects of government policies on wages and employment. Topics to be covered include: labor supply and demand, taxes and transfers, minimum wages, immigration, human capital and education, discrimination, inequality, labor unions, and unemployment.

Logistics

- **Instructor:** Professor Chris Walters. E-mail: crwalters@econ.berkeley.edu. Office hours: Thursdays 10:00am-12:00pm, 657 Evans Hall. The first hour of office hours is reserved for 15 minute individual or group appointments. The link to sign up for an appointment will be posted on the course website. The second hour is open for drop-ins.
- **Readers:** Andrea Cerrato (E-mail: andrea_cerrato@berkeley.edu) and Andrew Tai (E-mail: atai1@berkeley.edu). Andrea's office hours will be on Wednesdays from 6:00-8:00pm in 640 Evans. Andrew's office hours will be on Tuesdays from 1:00-3:00pm in 640 Evans. The locations of the readers' office hours will be posted on the course website.
- **Course website:** <https://bcourses.berkeley.edu/courses/1468476>
- **Lectures:** Tuesday/Thursday 3:30-5:00pm, 390 Hearst Mining. There will be no lecture on 3/19 (instructor absence), 3/26, or 3/28 (Spring break). The last lecture is Thursday 5/2.
- **Prerequisites:** Intermediate microeconomics (100A or 101A) is a prerequisite; Econometrics (140 or equivalent) is strongly encouraged as knowledge of basic econometrics will be assumed. Knowledge of calculus will also be assumed.
- **Honor code:** Students are expected to abide by the Berkeley honor code, which states: "As a member of the UC Berkeley community, I act with honesty, integrity, and respect for others."

Readings

- **Textbook:** The primary textbook for the course is Borjas' *Labor Economics*, 7th edition. This book is available at the Cal bookstore and is on reserve at Moffitt Library.
- **Additional readings:** We will also cover selected empirical research papers published in professional economics journals. These readings will be available on the course website.

Assignments

- **Problem sets:** There will be six problem sets due during the term. Problem sets will typically be distributed every other week and due two weeks later. Group work is permitted, but each student must write up and turn in his/her own solutions. No exceptions for late problem sets, but the lowest problem set grade will be dropped.
- **Exams:** There will be two exams: A midterm and a final. No make up exams will be scheduled. Students who miss an exam must communicate with Professor Walters on the day of the exam. Students need to have a certificate from a medical or legal authority to justify having missed the exam; otherwise a missed exam counts 0 towards the final grade. The exam dates are:

- Midterm exam: In class on Tuesday, March 5th.
- Final exam: Friday, May 17th from 7:00-10:00pm, Location TBA.
- **Course grades:** Final course grades will be based on a weighted average of problem sets (30%), the midterm exam (30%), and the final exam (40%).
- **Regrade policy:** If you believe that an assignment has been graded incorrectly, you may submit it to the readers for a regrade within one week of the day the graded assignment was returned. You must include a written statement explaining your objection to the grading. All parts of the assignment will be regraded, which may result in a lower score than your initial grade.

Tenative Schedule

Date	Topic	Readings	Assignments
1/22	Course overview; Labor market facts	Goldin (1994)	
1/24	Micro theory review; The neoclassical model of labor supply; Welfare programs	Borjas Ch.1 (w/appendix), 2-1:2-10	PS1 distributed
1/29	Empirical methods overview; Labor supply evidence	Angrist and Krueger (1999) 1:2.2.3 Ashenfelter and Plant (1990) Eissa and Liebman (1996)	
1/31	Intertemporal labor supply	Borjas 2-12:2-13 Fehr and Goette (2007)	
2/5	Family economics	Angrist and Evans (1998)	
2/7	Labor demand	Borjas 3-1:3-7	PS1 due; PS2 distributed
2/12	Labor market equilibrium; Non-competitive labor markets	Borjas 3-9, 4-1:4-4, 4-9:4-10	
2/14	The minimum wage	Borjas 3-10 Card and Krueger (1994)	
2/19	Effects of immigration: theory	Borjas 4-5:4-6 Johnson (1980)	
2/21	Effects of immigration: evidence	Card (1990)	PS2 due
2/26	Compensating wage differentials	Borjas 5-1:5-6	
2/28	Midterm review		
3/5	Midterm exam		Midterm exam
3/7	Human capital investments	Borjas 6-1:6-8	PS3 distributed
3/12	Signaling	Borjas: 6.9	
3/14	Human capital vs. signaling: evidence	Angrist and Krueger (1999) 2.2.3:2.2.4 Angrist and Krueger (1991) Martorell and Clark (2014)	
3/19	No class (instructor absence)		
3/21	Training	Borjas 6-10:6-13	
3/26	No class (Spring break)		
3/28	No class (Spring break)		
4/2	Inequality I	Borjas 7-1:7-3 Piketty and Saez (2003)	PS3 due; PS4 distributed
4/4	Inequality II	Borjas 7-4:7-6 Katz and Murphy (1992)	
4/9	Labor mobility	Borjas 8-1:8-12	PS4 due; PS5 distributed
4/11	Labor market discrimination: theory	Borjas 9-1:9-6	
4/16	Labor market discrimination: evidence	Borjas 9-8:9-11 Bertrand and Mullainathan (2004)	
4/18	Labor unions	Borjas 10-1:10-9 DiNardo and Lee (2004)	PS5 due; PS6 distributed
4/23	Incentive pay	Borjas 11-1:11-5	
4/25	Unemployment I	Borjas 12-1:12-6	
4/30	Unemployment II	Borjas 12-7:12-11	
5/2	Final exam review		PS6 due
5/17	Final exam, 7-10pm		Final exam

Additional Reading List

- Angrist, Joshua, and William Evans (1998). “Children and Their Parents’ Labor Supply: Evidence from Exogenous Variation in Family Size.” *American Economic Review* 88(3), 450-477.
- Angrist, Joshua, and Alan Krueger (1991). “Does Compulsory School Attendance Affect Schooling and Earnings?” *Quarterly Journal of Economics* 106(4), 979-1014.
- Angrist, Joshua, and Alan Krueger (1999). “Empirical Strategies in Labor Economics.” In: The Handbook of Labor Economics Volume 3A, Orley Ashenfelter and David Card, eds. San Diego, CA: Elsevier.
- Ashenfelter, Orley, and Mark Plant (1990). “Nonparametric Estimates of the Labor-Supply Effects of Negative Income Tax Programs.” *Journal of Labor Economics* 8(1), S396-S415.
- Bertrand, Marianne, and Sendhil Mullainathan (2004). “Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination.” *American Economic Review* 94(4), 991-1013.
- Card, David (1990). “The Impact of the Mariel Boatlift on the Miami Labor Market.” *Industrial and Labor Relations Review* 43(2), 245-257.
- Card, David, and Alan Krueger (1994). “Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania.” *American Economic Review* 84(4), 772-793.
- Clark, Damon, and Paco Martorell (2014). “The Signaling Value of a High School Diploma.” *Journal of Political Economy* 122(2), 282-318.
- DiNardo, John, and David Lee (2004). “Economic Impacts of New Unionization on Private Sector Employers: 1984-2001.” *Quarterly Journal of Economics* 119(4), 1383-1441.
- Eissa, Nada, and Jeffrey Liebman (1996). “Labor Supply Response to the Earned Income Tax Credit.” *Quarterly Journal of Economics* 111(2), 605-637.
- Fehr, Ernst, and Lorenz Goette (1997). “Do Workers Work More if Wages Are High? Evidence from a Randomized Field Experiment.” *American Economic Review* 97(1), 298-317.
- Goldin, Claudia (1994). “Labor Markets in the 20th Century.” NBER Historical Working Paper no. 58.
- Johnson, George (1980). “The Labor Market Effects of Immigration.” *Industrial and Labor Relations Review* 33(3), 331-341.
- Katz, Lawrence, and Kevin Murphy (1992). “Changes in Relative Wages, 1963-1987: Supply and Demand Factors.” *Quarterly Journal of Economics* 107(1), 35-78.
- Piketty, Thomas, and Emmanuel Saez (2003). “Income Inequality in the United States, 1913-1998.” *Quarterly Journal of Economics* 118(1), 1-39.