Economics 145: Economics of Labor

Course Objectives and Requirements

The objective of this course is to inform students about key facts of U.S. labor markets and to use economic principles to organize these facts in a coherent manner. In other words, this course aims to connect economic theory and facts. In many instances, the analysis is presented in a comparative manner: for example, the labor market experiences of women are compared with those for men; Whites are compared with Blacks; the U.S. is compared with other countries; recent generations compared with earlier generations; and so on. Issues relating to employment, hours of work, and wages will receive special attention.

The course builds on and applies the economic principles learned in Econ 50. The course makes extensive use of the econometric procedures taught in Econ 102B. At the end of the course, students should have seen how elementary price theory and statistical procedures help inform an understanding of how labor markets function. Some issues in economic policy will be addressed such as the effects of statutory minimum wage legislation, the Earned Income Credit, and the Social Security payroll tax.

Courses Economics 50 and Economics 102B are unequivocal prerequisites for this course. To earn a grade for Econ 145, students must have passed both Econ 50 and Econ 102B. All students are advised to review the material from Econ 50 and Econ 102B thoroughly. Students are expected to know and be comfortable with quantitative methods such total differentiation and linear regression analysis. Such methods will be used extensively.

There is a mid-quarter examination in class on Thursday 9 February. The end-of-quarter examination is from 7.00 to 10.00 p.m. on Wednesday 22 March. There is no possibility of taking the exams except on these days so students must not register for courses with conflicting exams. There will be occasional problem sets due during the quarter. No late answers to these problems sets will be accepted. Answers to the problems sets are not accepted electronically. The examinations will cover the union of material discussed in class and material contained in all the readings. Students are expected to attend class regularly. In awarding final grades, a weight of 10% is applied to the aggregate score on problem sets, of 30% to the mid-quarter examination, and of 60% to the final examination.

The Economics Department has a default set of policies regarding course management. These policies apply to this course. Students should familiarize themselves with these policies by consulting the following web site:

Course Outline and Reading List

The text for this course is Ronald G. Ehrenberg and Robert S. Smith, Modern Labor Economics: Theory and Public Policy, Addison Wesley, ninth edition, 2006. This is referred to below
as E-S. By the end of this course, this book (including chapter appendices) should have been read in its entirety. All items on this reading list are required. See below.

I. Methods of Analysis and Overview
E-S, Chapters 1 and 2

II. The Demand for Labor Services
E-S, Chapters 3, 4, and 5

III. The Supply of Labor Services
E-S, Chapters 6 and 7

IV. Wage Differentials
E-S, Chapters 8, 9, 10, 11, 12, and 14


V. Employment Contracts and Trade Unions
E-S, Chapter 13

VI. Unemployment
E-S, Chapter 15