This course is an introduction to labor economics, which we explore using microeconomic theory and econometric analysis. The course emphasizes the link between research and public policy. Topics include labor supply and labor demand, taxes and transfers, minimum wages, immigration, human capital, education production, inequality, discrimination, and labor unions. The first half of the course meets with graduate labor economics, 14.661.

Course prerequisites

14.64 prerequisites include a course in microeconomics (14.01 is good, 14.03 ideal) and a course in statistics or econometrics (14.30 is good, 14.32 is best). Problem sets presume familiarity with statistical computing; empirical work for credit is to be done using Stata.

Course requirements

Eighty percent of success is showing up – Woody Allen

Classroom work

Two lectures (TTH 10:30-12:00) and weekly recitations (location TBD). We’ll also schedule computer labs as needed.

As an incentive to show up, we take roll. Classwork includes randomly assigned opportunities to share your understanding of academic research with the class.

Written work

Select reading assignments (announced weekly) are scored for credit via Perusall, available through our Canvas course site. We use other LMS tools, including Piazza and Gradescope.

In addition to exams and the readings listed below, there are four problem sets, each of which has a substantial empirical component. Ungraded review problem sets are distributed at the beginning and end of the course. Students are expected to participate in class discussions.

Grading is based on the following formula: 10 points for each problem set, 25 points for the midterm, and 35 points for an out-of-class final. Strong class participation, including regular attendance, is worth up to 6 points. Students who volunteer for brief impromptu in-class presentations (BIIPs) earn up to 2 additional points. Perusall comments and questions earn up to 2 points. Grades for students enrolled in 14.640 as a half-term subject are based on the first two problems sets, the midterm, and up to half of the points awarded for full-term attendance, BIIPs, and readings.
Texts


Readings are also drawn from:


Course Outline and Readings by Topic

A. Labor Market Facts and Trends


Borjas, Chapter 1, including the Appendix

Supply and demand in the labor market: do immigrants take jobs from natives?

Borjas, Chapter 4


**Empirical methods: regression and differences-in-differences**

AK99, through Section 2.2.2 and Section 2.4.

MM, Chapters 1, 2, and 5.

B. Labor Supply and Supply-Side Policies

Borjas, chapter 2.

Nicholson and Snyder, chapters 2-5 (math and micro review).

Deaton and Muellbauer, Chapters 1-4, 11

Welfare and the EITC

Lang, Chapters 2, 3, and 9.


Income effects on labor supply


Unemployment and unemployment insurance

Borjas, chapter 12.


C. Additional Labor Supply Topics

1. Life-cycle models

Borjas, section 12.6.

Intertemporal substitution at work


2. Home production; the economics of the family

Borjas, Section 9.11.


**Economic effects of changes in family size**


**Empirical methods: instrumental variables**

AK99, Section 2.2.2.

MM, Chapter 3.

D. Labor Demand and Demand-Side Policies

Borjas, chapters 3 and 4.

Nicholson and Snyder, chapters 9-11.


**Minimum wages and market structure**


**Trade and the labor market**


Automation


E. Human Capital

Borjas, chapter 6.

Schooling, experience, and earnings


School quality and education production


F. Discrimination

Borjas, chapter 9.


Effects of anti-discrimination policy


G. The Wage Structure: Trends and Theories of Change

Borjas, chapter 7.


H. Labor Unions

Borjas, chapter 10.


Union relative wage effects


Empirical methods: panel data and unobserved individual effects

AK99, Section 2.2.2

MM, Chapter 6.