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.

**TAs:** Ahmet Gulek (14.64), Andrea Manera (14.661), and Grace Chuan

**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 (E52-432). Students are expected to come to class prepared to discuss readings and other class material.

**Readings and Written work**

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

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

**Grading**

You may earn a total of 100 regular points plus 10 participation points. It’s possible to get an A without earning participation points. Points are allocated as follows

- **Regular points**
  - 4 Problems sets (40 points): 10 each
  - Exams (60 points): midterm (25), final exam (35)

- **Participation points**
  - Attendance (6 points): 24 classes*.25 each
  - Perusall comments: up to 4 points

**Texts**


Readings are also drawn from:


**Course Outline and Readings by Topic**

A. Labor Market Facts, Trends and Theoretical Framework


Borjas, Chapter 1, including the Appendix; 2-1 and 2-2

**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. **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.

2. Life-cycle models

Borjas, section 2-13, 12.6.

Intertemporal substitution at work


(more advanced LCLS theory/metrics)


3. Efficiency Wages and Performance Pay

Borjas, Chapter 11.


D. Labor Demand and Demand-Side Policies

Borjas, Chapters 3 and 4.

Nicholson and Snyder, chapters 9-11.


Card (2022) AEA Pres address – who sets your wages?

Minimum wages and market structure


Trade and the labor market


Automation


E. Human Capital [LAST JA MODULE]

Borjas, chapters 6-7; MM, Chapter 6


Schooling, experience, and earnings


**School quality and education production**


***Second half***

**F. Social Mobility**


Ellora Derenoncourt “Can You Move to Opportunity? Evidence to the Great Migration”


G. Discrimination

1. Statistical Discrimination


2. On-the-job Discrimination and Biased Updating


* Benson, Alan, Danielle Li, and Kelly Shue (2021) “’Potential’ and the Gender Promotion Gap” working paper


H. Gender


2. Norms and Gender Differences in Labor Market Outcomes


Tungodden, Jonas and Alexander Willen (2020) “When Parents Decide: Gender Differences in Competitiveness” working paper


I. Labor Unions

Borjas, chapter 10.


J. Geography and Pay Setting

* Hjort, Jonas, Xuan Li, and Heather Sarsons (2020) “Across-Country Wage Compression in Multinationals” working paper.

Hazell, Jonathon, Christina Patterson, Heather Sarsons, and Bledi Tasks (2021) “National Wages” working paper

* Card, David, Jesse Rothstein, and Moises Yi (2021) “Location, location, location” working paper