PAM 3160: Labor Markets and Public Policy
Spring 2016

Zhuan Pei
Office location: MVR 134, x52503
E-mail: zhuan.pei@cornell.edu

Office Hours: Tuesday 3:30-5pm

Lecture Time and Location: M, W 2:55-4:10pm; MVR Hall G73

Course description: PAM 3160 provides a survey of labor economics with an emphasis on policy issues. While the course teaches the analytical tools necessary to understand how labor markets work, it is structured around a number of prominent labor market policy issues, such as immigration, inequality, minimum wages, affirmative action and the role of unions.

For example, some of the questions we will examine include:

- Why do women earn less than men?
- Do immigrants hurt the wages or employment opportunities of native workers?
- Does increasing the minimum wage increase unemployment, and thus end up hurting the people it is intended to help?
- What has caused rising wage inequality in the U.S., and should we be concerned about it?
- Why have unions declined so much in the United States?

Learning goals: The primary goal of the course is to develop your ability to study, analyze and ultimately reach informed opinions about the numerous policy questions that arise with respect to labor markets in the U.S. and other countries. To help develop this ability, we will study these policy issues drawing on economic models of labor markets, examination of the role of labor market institutions, and empirical evidence on these issues.

Specific learning outcomes: after successfully completing this course, students will be able to:

- apply and explain at an introductory level the economic models that relate to labor supply, labor demand, and labor market equilibrium
- describe how economic theory and evidence apply to and explain trends in labor force participation, hours of work, and wages
- construct, defend, and analyze important labor policy issues
- demonstrate proficiency with simple quantitative and economics tools useful in understanding labor markets, labor market institutions and labor market policy designs
- comprehend, assess, and critique existing empirical work in labor economics

Prerequisites: ECON 1110 or equivalent.

Texts and materials: The required text is George Borjas, Labor Economics (6th edition). Please note that we will not cover all of the material in the textbook, nor is all of the material covered in class in the textbook. Additional required readings for the course will be posted on Blackboard.

Course requirements: Students will be evaluated on the basis of problem sets, debates, a prelim exam, a final exam and class participation.
Problem sets (5) 15%
Class debates (4) 20%
Prelim exam 25%
Final exam (cumulative) 35%
Class participation 5%

Five problem sets will be due during the semester. You are encouraged in teams Complete problem
sets must be turned in at the beginning of class on the due date. Late problem sets will not be accepted
under any circumstances, including medical emergencies, printer malfunctions, track meets, and the
failure of your roommate to turn your problem set in for you. To accommodate illness and unforeseen
conflicts, I will drop the lowest score among your problem sets in the grade calculation. In other
words, you must turn in four of the five problem sets; alternatively you can turn in all five problem
sets and I will take the top four grades in calculating your problem set grade. The dropped grade
can be used for any problem set, but it is advisable to save it for medical or personal emergencies
as only one grade will be dropped.

You are strongly encouraged to work on the problem sets in groups of up to three students and to
hand in a single answer sheet for the group. Thinking about the homework problems yourself is
essential for understanding. The tentative due dates of the problem sets are:

<table>
<thead>
<tr>
<th>Problem set</th>
<th>Due Date</th>
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<tbody>
<tr>
<td>Problem set 1</td>
<td>Feb 24</td>
</tr>
<tr>
<td>Problem set 2</td>
<td>Mar 7</td>
</tr>
<tr>
<td>Problem set 3</td>
<td>Mar 23</td>
</tr>
<tr>
<td>Problem set 4</td>
<td>Apr 13</td>
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<tr>
<td>Problem set 5</td>
<td>May 9</td>
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</tbody>
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There will be four in-class debates during the semester. The topics are

- Debate 1: should the minimum wage be increased? (class #9)
- Debate 2: is inequality in the United States too high? (class #17)
- Debate 3: should U.S. immigration policy be changed? (class #20)
- Debate 4: are teachers’ unions too strong? (class #25)

There are two exams for the course: an in-class prelim exam and a final exam. The in-class prelim
will take place on March 21 during the 15th class meeting of the semester, and the time and location
of the final exam will be set by the registrar’s office. No make-up prelim exam will be given.
Please note that absence from the prelim exam will be excused ONLY for a serious illness or family
emergency that is appropriately documented (in which case the final course grade will depend on
the performance in the other components of the class); otherwise a grade of zero will be assigned.
There are NO EXCEPTIONS to this rule. Any students with disabilities requiring special exam
procedures should contact me as soon as possible.

Special accommodations: In compliance with section 504 of Rehabilitation Act of 1973 and
the Americans with Disabilities Act, reasonable accommodation will be provided to students with
documented disabilities. Students with disabilities must provide the College with appropriate docu-
mentation of their disability before any accommodation can be made. Reasonable accommodation
will be provided, on a case-by-case basis.

Academic integrity statement: Absolute integrity is expected of every Cornell student in all
academic undertakings. Integrity entails a firm adherence to a set of values, and the values most
essential to an academic community are grounded on the concept of honesty with respect to the
intellectual efforts of oneself and others. Academic integrity is expected not only in formal coursework
situations, but in all University relationships and interactions connected to the educational process, including the use of University resources. A Cornell student’s submission of work for academic credit indicates that the work is the student’s own. All outside assistance should be acknowledged, and the student’s academic position truthfully reported at all times. In addition, Cornell students have a right to expect academic integrity from each of their peers. For further information regarding the Cornell Code of Academic Integrity see: [http://cuinfo.cornell.edu/Academic/AIC.html](http://cuinfo.cornell.edu/Academic/AIC.html). Unless you have the express permission of the instructor, you should not buy or sell course materials. Such unauthorized behavior constitutes academic dishonesty.

**TurnItIn.com Acknowledgement:** Students agree that by taking this course that all papers submitted for the course may be subject to submission for textual similarity review to Turnitin.com for the detection of plagiarism. All submitted papers will be included as source documents in the Turnitin.com reference database solely for the purpose of detecting plagiarism of such papers. Use of the Turnitin.com service is subject to the Usage Policy posted on the Turnitin.com site.

**Course outline and assigned readings**

I. **Introduction** (lecture #1; Jan 27)
   - Borjas, Ch. 1

II. **Labor supply** (lectures #2-4; Feb 1, 3, 8)
   - Borjas, Ch. 2
   - Policy application: the impact of the new welfare program

III. **Labor demand** (lectures #5-7; Feb 10, 17, 22)
   - Borjas, Ch. 3

IV. **Labor market equilibrium** (lectures #8-9; Feb 24, 29)
   - Borjas, Ch. 4
   - David Autor and Gordon Hanson, “Labor Market Adjustment to International Trade,” NBER Reporter 2014, No. 2
     - Policy application: the minimum wage debate
   - “What’s a Minimum Wage Job Worth?” *Wall Street Journal*, April 1, 1996


V. **Compensating differentials: someone has to do the dirty work** (lectures #10-11; Mar 2, 7)

• Borjas, Ch. 5

• Kevin Helliker, “They Left Professions For a True Calling as Personal Trainers,” *Wall Street Journal*, February 25, 1999

VI. **The economics of schooling and training: does all the toil and trouble pay off?** (lectures #12-14; Mar 9, 14, 16)

• Borjas, Ch. 6


  Policy application: how effective are job training programs?


**In-class prelim exam** (lectures #15; Mar 21)

VII. **The earnings distribution** (lectures #16, 17; Mar 23, Apr 4)

• Borjas, Ch. 7

  Views on inequality


VIII. **Labor mobility** (lectures #18-20; Apr 6, 11, 13)

• Borjas, Ch. 8

  Policy application: immigration


IX. Labor market discrimination (lectures #21-23; Apr 18, 20, 25)

- Borjas, Ch. 9
  Policy application: immigration

X. Unions: what do unions really do? (lectures #24, 25; Apr 27, May 2)

- Borjas, Ch. 10
- The state of unions in the U.S.

Labor market contracts (lectures #26, 27; May 4, 9)

- Borjas, Ch. 11
  Why do CEOs earn so much money? Should they?

Catch up and review (lecture #28; May 11)