**ECO 4351 LABOR ECONOMICS**  
Summer 2017

**Professor:** Daniel Millimet  
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**web page:** http://faculty.smu.edu/millimet/classes/eco4351/main.html  
**Room:** 303 Lee  
**Time:** MTuWThFr 12:00-1:50  
**Office Hours:** MTuWThFr 11:00-12:00, and by appointment

**Description:** This course is an introduction to the study of labor economics. It provides an overview of labor supply and labor demand models, with extensions to models of taxes and tax credits, welfare, and EITC. The focus then shifts to models of wage determination and extensions such as the effects of minimum wage, performance-based pay, unions, and discrimination. The course will be equally devoted to both theoretical and empirical analysis of these issues.

**Prerequisite:** ECO 3301

**Textbook:** *Labor Economics*, George Borjas (available at the SMU Bookstore)  
Additional required readings are on the course web page.

**Grading:** Grades will be based on two exams, problem sets, and pop quizzes:
- Attendance will count for **10%** of the course grade. It will be taken randomly throughout the semester at the beginning of class.
- Problem sets will count for **30%** of the course grade. PSs must be neat, stapled, and – if emailed – scanned properly and turned into a single PDF. Do not take a picture with your phone!
- Each exam will count for **30%**. The second exam is not (explicitly) cumulative.

Lecture notes, problem sets, answer keys, exam dates, and other relevant information will be posted on the course web page. Grades are based on a curve at the end of the semester, with the mean typically a C+. All students are advised to consult with me throughout the semester to avoid end of the semester “surprises.” You will fail the course if your performance merits such a grade. I do not allow students to do any additional work for extra credit.

No make up exams will be given unless a student asks for it in advance and for compelling reasons. If you miss an exam (unexcused), you will receive a zero. No exceptions! Issues with the grading on an exam must be brought to my attention within one week of the exam being returned.

The date for the first exam has not yet been determined, although you will be given sufficient notice. The second exam is on the final day of class (July 5). Class attendance is not “mandatory,” although you are responsible for everything that occurs in class and poor attendance will affect your grade. Basic calculus and statistics is required.

**Conduct:**

**Classroom**  
Be respectful to myself and your classmates. Show up on time. Silence and put away cell phones during class. Only use electronic devices for class purposes during class. If you do not wish to pay attention in class, then do not come to class.

**Exams**  
The only items that may be used are a pen/pencil and blue books provided by myself. Silence and put away cell phones. You are not allowed on your cell phone, calculator, or other high tech device for any reason. If you do so, you will receive a zero. Go to the bathroom prior to the exam. Unless you have a medical issue, there is no exiting the classroom during exam time.

**Schedule:**  
June 5 – July 5 (no class July 4)

**Disability Accommodations:** Disability Accommodations: Students needing academic accommodations for a disability must first contact Ms. Rebecca Marin, Coordinator, Services for Students with Disabilities (214-768-4557) to verify the disability and establish eligibility for accommodations. They should then schedule an appointment with the professor to make appropriate arrangements. (See University Policy No. 2.4.)

**Religious Observance:** Religiously observant students wishing to be absent on holidays that require missing class should notify their professors in writing at the beginning of the semester, and should discuss with them, in advance, acceptable ways of making up any work missed because of the absence. (See University Policy No. 1.9.)
Excused Absences for University Extracurricular Activities: Students participating in an officially sanctioned, scheduled University extracurricular activity should be given the opportunity to make up class assignments or other graded assignments missed as a result of their participation. It is the responsibility of the student to make arrangements with the instructor prior to any missed scheduled examination or other missed assignment for making up the work. (University Undergraduate Catalogue)

Student Learning Outcomes

- Explain the meaning of labor market statistics as well as historical trends and recent changes in such statistics
- Understand the static neoclassical model of labor supply
- Demonstrate an ability to analyze the labor supply effects of various tax and welfare policies
- Understand the determinants of labor demand in the short and long runs
- Demonstrate knowledge of the perfectly competitive, monopsonistic, and segmented labor market models of wage determination
- Understand the job search process and the labor market effects of unemployment insurance
- Demonstrate an understanding of labor market discrimination and its potential sources

Course Outline:

1. Introduction (Chapter 1)

2. Labor Supply (Chapter 2)
   - Labor/leisure trade-off; backward-bending labor supply
   - Extensions: non-labor income, wages, taxes, Laffer curve
   - Policy applications: welfare, EITC, child care
   - Female labor force participation, household labor supply

   READINGS:

3. Labor Demand (Sections 3.1-3.5)
   - Short-run vs. long-run
   - Extensions: wages, technology

   READINGS:

***** EXAM 1 *****
4. Wage Determination (Sections 3.9-3.10; Chapter 4; Sections 8.9-8.11; Sections 10.1, 10.7; Chapter 11; Sections 12.4-12.5, 12.8; Chapter 9)

- Partial equilibrium models: competitive model, monopsony, efficiency wages, performance-based pay, job search, discrimination
- General equilibrium models: segmented labor markets, wage convergence
- Policy applications: minimum wage, payroll taxes, wage subsidies, immigration, unions, unemployment insurance

READINGS:


***** EXAM II *****