

**SYLLABUS**  
**ECON 151**  
**“Labor Economics”**  
**Summer 2009 / UC Berkeley**

Professor: Dr. Jack Rasmus  
Course Hrs: MTWT 2-3:30pm  
Location: Dwinelle 186  
Campus Email: TBD

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***Course Description:***

This course analyzes the factor of Labor in the U.S. economy, addressing topics of labor supply and labor demand, theories and practice of wage determination, and how wage structures and wage differentials develop and evolve. Macro-institutional forces related to labor, labor markets, and wages are considered, including labor force participation, evolution and change in labor markets in the U.S., employment, and unemployment. Trends, measurement and analyses of labor productivity, labor mobility, labor market discrimination, and the role of government and unions in labor markets are further considered. Particular attention will be given to the impact of the current economic recession on labor economic variables. The course concludes with an in-depth analysis of causes of poverty, executive and banking CEO pay trends, and trends in incomes and relative income shares.

***Required Readings***

1. McConnell, Brue & MacPherson, Contemporary Labor Economics, 8<sup>th</sup> edition, McGraw-Hill, 2009. (Main text)
2. Mishel, Bernstein & Allegretto, The State of Working America 2006/07, Cornell University Press, 10<sup>th</sup> ed., 2006. (selections; paperback)
3. Paul McNulty, The Origins and Development of Labor Economics, MIT Press, 1984. (selections; paperback)
4. Jack Rasmus, The War At Home: The Corporate Offensive From Ronald Reagan to George W. Bush, Kyklos Productions, 2006. (paperback)

### ***Additional Assigned Readings:***

Short articles from the Wall St. Journal, Financial Times, Monthly Labor Review, and various academic journals may be additionally assigned as supplemental reading to chapter topics.

### ***Course Grade Determination***

**Final Course Grade** will be determined as follows:

Thought Questions <sup>(1)</sup>	20% (200 pts possible)
Midterm Exam <sup>(2)</sup>	20% (200 pts)
Term Paper <sup>(3)</sup>	30% (300 pts)
Final Exam <sup>(4)</sup>	30% (400 pts)
Class Participation <sup>(5)</sup>	

- (1) There will be 20 ‘Thought Questions’, roughly 3 per week. A question will be distributed at the end of each class, MTW. Students will be required to answer each question, no more than one half typed page, and turn answers in at the beginning of class the following day, TWTh. ‘Thought Questions’ are designed to think in depth after class about a significant issue covered in the preceding lecture. There are no ‘right’ answers to the Thought Question. But students need to ‘think’ critically about key issues and questions. Each question answered and submitted is equivalent to 1.0% of student’s final grade, with max of 20 pts.
- (2) The Midterm Exam will consist of two essay questions, chosen from a list of three questions provided.
- (3) A term paper of 10-15pp. is required on one of the topics listed in Appendix A below. No more than two students may sign up for the same topic. Sign ups for term paper topics must be made by June 26. Exceptions to the list must be approved by the Professor.
- (4) The Final Exam will consist of three essay questions, chose from a list of five questions provided. The topics for the questions for the final exam will cover material addressed in class from the midterm only.
- (5) Regular and consistent classroom participation by students may merit, at the professor’s discretion, an increase in the student’s final earned letter grade the equivalent of one-third a grade level (example: if your total earned pts equals 890 (a B+), you may be raised to A- if you have regularly participated in discussions provided for at the start and ending of each class).

## **Class Daily Process**

This class will follow a particular process, combining periods of class participation and discussion with traditional lecture format conducted by the Professor. The process is roughly as follows:

- 2:00-2:05: Administrative issues, roll, general Q&A
- 2:05-2:15: Class discussion on prior day assigned 'Thought Questions'. Students may volunteer or may be called upon to share their View and opinions on the questions.
- 2:15-3:25: Lecture on course material and readings
- 3:25-3:30: Presentation of next day's thought question  
(The above class process will be suspended on days of midterm and exams)

## **Grade Scale for Course:**

Each of the four items determining grades will receive a numerical value. There is a total possible of 1000 points for the course. Final grades are based on the following scale:

	Grade	Percentage	Points
A	90-100		900-1000
B	80-89		800-899
C	70-79		700-799
D	60-69		600-699
F	59 or less		<600

## ***Class Sessions, Topics, and Readings:***

### **Week 1: The Labor Factor in the Development of Economic Thought**

*Topics: Labor in Classical and Neoclassical Economics. Labor and Wages in Keynesian economic analysis. Evolution of Labor Economics as discipline post-1945. Recent trends in labor economics.*

**Required Readings:**

McNulty, pp. 38-127, 153-204.

McConnell et. al., Chapter 1, Appendix (Informational Sources in Labor Economics)

Mishel, pp. 1-34 (Executive Summary)

**Week 2: Individual and Aggregate Labor Supply and Labor Demand, Labor Force Participation, and Hours of Work**

*Topics: Theories of Individual Labor Supply and Labor Demand. Aggregate labor supply analysis: Labor Force Participate trends, determinants, and analyses. Hours of work and contingent labor market trends. Problems in aggregating labor demand.*

**Required Readings:**

McConnell, Chapters 2, 3, 5

Mishel, pp. 88-91 (Hours), 332-337 (Intl Hours comparisons), 312-314 (Population), pp. 238-46 (nonstandard work)

Rasmus, Chapter 6

**Week 3: Wage Determination, Wage Structure and Wage Differentials, Executive and Alternative Pay Trends, Wages & Productivity**

*Topics: Theories of wage determination, competitive and institutional. The evolving wage structure and wage differentials. Issues of Executive pay and trends in alternative pay structures. Short and long run trends in productivity. Productivity-Wage relationships in postwar period.*

**Required Readings:**

McConnell, Chapters 6,8,17

Mishel, pp. 109-133, 140-146 (Overview), 164-180, 196-201 (Causes of wage differentials), 168-170 (low pay shift), 171-180 (trade caused differentials), 196-201 (technology determined differentials), 318-320 (Regional Wage inequalities), 202-207 (Executive Pay), pp. 146-153 (Productivity and Education), 328-332 (International Productivity Comparisons)

Rasmus, Chapter 3

**Week 4: Benefits, Labor Mobility & Migration, Labor Market Discrimination & Poverty**

*Topics: Pension and Healthcare benefits evolution and current trends analysis. Noninsured benefits. Determinants of labor mobility and migration. Offshoring-Onshoring trends and H-1B Visa policies. Issues in U.S. immigration and recent policy debates and legislative initiatives. Dimensions, theories, and trends in labor market discrimination.*

McConnell, Chapter 7, 9, 14

Mishel, pp. 133-140 (Benefits), 352-356 (Health care International comparisons), pp. 281-308 (Poverty), 349-51 (International Comparisons), 162-164 (Race and Gender-Wages), 50-52 (Race & Gender-Income)

Rasmus, Chapters 8,9

## **MIDTERM EXAM (Distributed on Thursday; due on Monday)**

### **Week 5: Unions and Collective Bargaining**

*Topics: Evolution of unions and collective bargaining. Recent union membership trends and determinants. Union impact on wages and benefits, and secondary effects. Unions and social legislation. Evolution of collective bargaining as institution. Bargaining effectiveness and economic analysis of collective bargaining trends. Unions, bargaining, productivity, inflation and employment.*

#### **Required Readings:**

McConnell, Chapters 10 & 11

Mishel, pp. 181-189 (union dimension)

Rasmus, Concluding chapter, pp. 456-80

A sample Collective Bargaining Contract will be distributed to class for reading and analysis purposes.

### **Week 6: Government and Labor Markets**

*Evolution of labor law. Public employment trends. Minimum wage, living wage and overtime pay. Other wage and benefits regulation. OSHA. ERISA. Pension Act of 2006. Government role in Labor markets. Payroll tax, Social Security, and the Unified Budget. Free Trade treaties, tax restructuring, and industry deregulation impacts on wages, employment and markets.*

#### **Required Readings:**

McConnell, Chapters 12 & 13

Mishel, pp. 190-96 (Minimum Wage), 320-321 (State Minimum Wage)

Rasmus, Chapter 4,10

### **Week 7: Analysis of Employment and Unemployment**

*Determinants of employment and unemployment. Measurement issues. International comparisons. Unofficial measures of unemployment. Unemployment Insurance. Job Search and Frictional Unemployment. Structural vs. Cyclical Unemployment. Trade and Offshoring issues. Relationship between structural and cyclical. Postwar recessions in the U.S. Jobless recessions and duration of unemployment. Financial instability cycles and recessions.*

**Required Readings:**

McConnell, Chapter 15 and 18

Mishel, pp. 211-237 (Employment/Unemployment), 332-339 (International Comparisons  
309-318 (U.S. Regional Trends)

Rasmus, Chapters 5, 7

**TERM PAPER DUE following Monday****Week 8: Relative Income Shares: Measurement, Causes, Trends, Theories & Debates**

*Review of sources, data and methods for estimating inequality. Distinguishing Earnings vs. Income vs. Wealth inequality. US and international comparisons and trends. Review of theories of income distribution in economics. Policy-based determinants of income inequality. Disaggregating the data. The Picketty-Saez analysis. Critiques. Rebuttals. Income inequality, financial instability, and recessions.*

**Required Readings**

McConnell, Chapter 16

Mishel, pp. 39-93 (Family income trends), 93-108 (Income mobility), 322-323 (regional income inequality), 249-280 (wealth trends), 340-348 (International Inequality Comparisons)

Rasmus, Chapters: Intro, 1, 2

**FINAL EXAM: (Thursday last day of class)****APPENDIX A: Term Paper Topics**

1. Compare the determinants of income inequality and income inequality trends in the U.S. with one other major economy.
2. Analyze the trends and general causes of structural unemployment in the U.S.
3. Describe, compare and analyze the City of San Francisco's and the State of Massachusetts' recently established Health Benefits plans
4. Review the literature and data sources estimate the growth of contingent labor in the U.S. since 1980 and its determinants
5. Undertake a quantitative comparison of recent changes in union-nonunion wage differentials vs. changes in export-import wage differentials.
6. Compare Labor Supply & Labor Demand vs. Institutional forces relative influence on the general wage structure in the U.S.

7. Compare Defined Benefit pension plans and Defined Contribution Plans in terms of employer costs vs. employee benefit payout
8. Assess the various reasons for the collapse of union membership in the U.S. since the 1970s. Propose solutions.
9. Explain how labor markets have been restructured in the US since 1980.
10. Review the literature and arguments for and against indexing the minimum wage in the U.S. Make a proposal.
11. Analyze executive pay trends, causes and consequences and assess current Congressional legislation addressing the subject. Make proposals for reform.
12. Compare Executive pay trends in US vs. Europe-Asia; or compare executive pay in financial with non-financial corporations. Explain why they differ.
13. Provide an analysis of the impact of the US-China PNTR agreement on job offshoring from the US since 2001.
14. Provide an analysis of the impact of NAFTA on net employment in the U.S.
15. Analyze and argue pro (or con) on the subject: immigration (legal and/or illegal) lowers the minimum wage level in the U.S.
16. Explain the causes of 48 million without health insurance in the U.S.
17. Analyze and critique the key survey and statistical methodologies that underlie the CPS and CES employment surveys. Suggest proposals for reform.
18. Compare US and other OECD countries' methods for defining and estimating unemployment. What are relative strengths and weaknesses. Propose change.
19. Evaluate the methodological limits and weaknesses of the CPI in accurately reflecting consumer inflation in the US. Propose reforms.
20. Undertake an analysis of the employment and wage effects of the H1-B visa program on the technology sector of the US economy
21. What has been the impact of retirement program changes since 1980 on labor force participation rates in the U.S.
22. Analyze San Francisco's (or another city's) Living Wage ordinance.

23. Review economic literature since 2001 debating the effectiveness of Bush tax cuts (2001-05) on new job creation.
24. Describe Classical-Neoclassical-Keynesian theories of income distribution and explain why each of the three do/don't adequately explain income inequality and relative income shares today.
25. Critique the quantitative methodology behind the Picketty-Saez approach to explaining changes in wealthiest 10% households income from 1917 to 2006.
26. Appropriate topics relating current Obama administration programs and proposals to topics of labor economics, to be mutually agreed between student and professor