

Grinnell College
Economics 215
Fall 2019

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Office Hours: Tu/Th 2-5 and by appointment

LABOR ECONOMICS

Why is it that when I want to hire a pair of hands, I get a human being instead?

-- Henry Ford

Labor is prior to, and independent of, capital. Capital is only the fruit of labor, and could never have existed if labor had not first existed. Labor is the superior of capital and deserves much the higher consideration.

-- President Abraham Lincoln, Annual Message to Congress, Dec. 3, 1861

. . . highly paid labour is generally efficient and therefore not dear labour; a fact which though it is more full of hope for the future than any other that is known to us, will be found to exercise a very complicating influence on the theory of distribution.

-- Alfred Marshall

The only thing worse than being exploited by a capitalist is not being exploited by one.

-- Joan Robinson

Who built the seven towers of Thebes?

The books are filled with names of kings.

Was it kings who hauled the craggy blocks of stone?

In the evening when the Chinese wall was finished

Where did the masons go?

-- Bertolt Brecht

Labor markets are unique because the commodity traded – the ability to perform work – cannot be separated from human beings. Unlike other inputs into production, the productive performance of labor—the intensity and quality of effort exerted on the job—depends, in part, on human attitudes, specifically the attitudes of workers and their employers concerning the returns to labor and the nature of the work to be performed. Labor markets are therefore inherently political institutions in the sense that coalitions of participants can affect important outcomes. These interactions have economic significance because labor's performance affects productivity, which in turn affects the costs and quality of production.

This course will explore the basic economics of labor markets; the intersection of economic and political forces within labor markets along with applications to contemporary problems including the following topics: income distribution, racial and gender discrimination, worker displacement, and labor participation in management.

COURSE POLICIES

Class Meetings and Etiquette

Class meets Monday, Wednesday, Friday, 9:00 to 9:50. We start at 9:00 sharp! I expect students to attend class and arrive on time. Please plan to stay in the room for the entire class period (only 50 minutes), unless you are uncomfortable. Please TURN OFF your cell phones. I do not want you to even know that you received a text message! Please do not use laptops without my permission. Laptops are distracting and studies show that handwritten notes improve memory.

Inclusivity and Accommodation for Disabilities

At Grinnell, we strive to create fully inclusive classrooms. The college offers reasonable accommodations for students who observe religious holy days. Please contact me in advance to discuss specific instances that apply to you. I welcome individual students to approach me about distinctive learning needs. Grinnell College makes reasonable accommodations for students with documented disabilities. I encourage students with documented disabilities, including invisible or non-apparent disabilities such as chronic illness, learning disabilities, and psychiatric disabilities, to discuss reasonable accommodations with me. You will also need to have a conversation about and provide documentation of your disability to the Coordinator for Student Disability Resources, John Hirschman, located on the 3rd floor of Goodnow Hall (x3089).

Assignments and Grading

There will be one in class hour exam, one take-home exam, one five-page paper, and a final exam. The mid-terms and the paper will each count as ½ of the final. All of these jointly will constitute about 70% of the grade. There also will be several group oral presentations and five problem sets. Oral presentations, class participation, *including attendance*, and problem sets will jointly count for approximately 30% of the grade. I reserve the right to assign additional short (one-page) papers and possibly a few quizzes (likely if I think people are not reading the assignments before class). For the paper and presentations, I encourage students to use the [Writing Lab](#) (HSSC N3129). In one-on-one sessions, students can get feedback as they brainstorm ideas, strengthen arguments, choose and analyze evidence, focus paragraphs, craft introductions and conclusions, rewrite sentences, organize and revise whole drafts, plan presentations, and more.

Late work: Problem sets turned in late receives a grade deduction.

Absence: Attendance is *required* for all classes. For sports absence, give me advanced notice. For all absences, excused or unexcused (hopefully none of those), students should email me written answers to the discussion questions for the day(s) missed (before the next class is OK). These answers can raise a day's participation score above zero (the score for not doing so), but they are not equivalent to attending class. It is YOUR responsibility remember to email me your answers to discussion questions.

READINGS

At the Bookstore:

- Bruce E. Kaufman and Julie L. Hotchkiss, *The Economics of Labor Markets*, **Seventh Edition**, Thomson South-Western, 2006. (K&H) This is the main text for the course. The 7th edition is the latest and best one to have (not 6th, 5th etc.).
- Albert O. Hirschman, *Exit, Voice and Loyalty*, Harvard University Press, 1970.

Other Readings, on reserve or e-reserve or PWeb; selections from:

- Bergman, Barbara R., *The Economic Emergence of Women*, Basic Books, 1986;
- Blau, Francine and Marianne A. Ferber and Anne E. Winkler, *The Economics of Women, Men and Work*, Prentice Hall, 2010.
- Bluestone, Barry and Irving Bluestone, *Negotiating the Future*, Basic Books, 1992.
- Doeringer, Peter and Michael Piore, *Internal Labor Markets and Manpower Analysis*,
 - M.E. Sharpe, 1985 (Originally DC Heath, 1971).
- Freeman, Richard B. and James L. Medoff, *What do Unions Do?* Basic Books, 1984.
- Lewis, Ronald L., *Black Coal Miners in America: Race, Class and Community Conflict, 1780-1980*, University Press of Kentucky, 1987.
- Levine, David, *Reinventing the Workplace*, Washington D.C.: Brookings Institution, 1995.
- Osterman, Paul, *Internal Labor Markets*, MIT Press, 1984.

COURSE SCHEDULE

I. INTRODUCTION TO LABOR MARKET THEORY

Week 1: Data on U.S. Labor and Overview of Labor Markets, Schools of Labor Economics

1. Labor Markets, Outcomes, Data
Data Handout ; Kaufman and Hotchkiss (K&H), 1-15
2. Labor Market Process, Schools of Labor Economics
K&H, 15-42; Handout #2

Weeks 2-3+: The Neoclassical Labor Market: Demand for and Supply of Labor, Human Capital and Wage Determination

1. Labor Supply
 - a. Hours Worked: The "labor/leisure" tradeoff and the labor supply curve: K&H, pp. 44-70; 79-86; 90-95.
 - b. Labor Force Participation: K&H, 79-86 (87-95 optional) 114-119; 124-150; 159-163
2. Labor Demand
 - a. Short Run: K&H, 172-191; 197-214
 - b. Long Run: K&H: 191 - 196; 205-214; 219-221; 230-246; 250-255
3. Wage Determination
 - a. Firm and Market: K&H, 260-287; 307 - 317
 - b. Human Capital: K&H, 326-344
 - c. Compensating Wage Differentials: K&H, 387-397
 - d. Income Distribution: K&H, 340-351

Problem Set #2

Week 4-5: Wages and Effort: Efficiency-Wage and Fair Wage Models of the Labor Market

1. K&H, 686-692; 289-295
2. Handout on Efficiency-Wage and Effort models
3. Peterson & Estenson on Efficiency-Wage Models
4. George Akerlof – “Labor Contracts as Partial Gift Exchange”
5. Truman Bewley, Chapter 4, “Morale”

Problem Set #3

MIDTERM EXAM in class, Monday, Oct. 7

II. LABOR MARKETS AS ECONOMIC/POLITICAL INSTITUTIONS

Week 6: Exit, Voice, and Loyalty

1. Hirschman, Chapters 1-3, 7, Appendix A&B

Week 7: Contested Exchange, Productivity; Introduction to Unions

1. Samuel Bowles, "What Markets Can and Cannot Do." *Challenge*, Jul./Aug. 1991
2. Bluestone and Bluestone, Chapter 1;
3. Freeman and Medoff, Chapter 1

Problem Set #4

FALL BREAK Oct. 19-27

Weeks 8-9: Unions and Bargaining Power

1. Freeman and Medoff, Chapters 2-3
2. K&H, Chapters 11 and 12
3. Lewis, Chapters 3 and 4, “The Social Equality Wedge in Alabama, 1880-1908,” and “Resurgence of the UMWA in Alabama, 1920-1940”
4. Bluestone and Bluestone Chapters 2-3

Take Home Exam Due Wednesday, Nov. 6

Weeks 9-11: Employment in Institutions: Internal Labor Markets and Labor Market Segmentation

1. **Internal Labor Markets:**
K&H, 295-306
Osterman, Chapter 6, “White Collar Internal Labor Markets”
Doeringer and Piore: Introduction, Chapters 1-4 (selected pages).
2. **Labor Market Segmentation:**
K&H, 300-306; 466-475
Doeringer and Piore, selected pages
Handout on industry wage differentials

Problem Set #5

III. CONTEMPORARY PROBLEMS IN U.S. LABOR MARKETS

Weeks 11-13: Race and Gender in labor markets

1. **Theories of Discrimination:** K&H: Chapter 9 to p. 465
2. **Rising Labor Force Participation of Women and its Implications**
K&H: 138-163; 447-49
Bergman, Ch. 1-3 (on reserve)
3. **Earnings Differences, Discrimination and Occupational Segregation**
K&H: 419-429; 438-446; 466-487
Bergman, Chapters 4-6, selected pages (on reserve)
Blau, Ferber and Winkler, Chapters 5, 7, 8 (1st half)
4. **Policy and the Debate over Affirmative Action**
K&H, pp. 487-502
Bergman, Chapter 7
Other readings to be announced

Weeks 13-14: Structural Changes in the Contemporary US Labor Market, and Policy Concerning Worker Participation in Managing Firms

1. K&H, pp. 209-216, 236-46, 250-54
2. Blau, Ferber and Winkler, Chapter 8 (2nd half)
3. Levine, Chapters 2,7

Paper due Monday, Dec. 8

******FINAL EXAM: Thursday, Dec. 19, 9:00 a.m.****
Mandatory. Make your travel plans accordingly!!**