

## **ECO471 Economics of Labor and Human Capital**

**Units: 4**

**Day & Time:** Mon and Wed 10am-12pm, Taper Hall

**Location:** KAP 138

**Instructor: Simon Quach**

**Office:** KAP 364D

**Office Hours:** By appointment

**Contact Info:** [simonqua@usc.edu](mailto:simonqua@usc.edu) (replies within 48 hours).

### **Course Description**

What determines wages and employment in the economy? This question lies at the heart of many modern debates concerning income inequality, wage stagnation, the gender pay gap, and racial disparities. The purpose of this course is to introduce students to the theories of labor supply, labor demand, and human capital that help explain these phenomena.

The course begins with an overview of how wage dispersion has grown since the latter half of the 20<sup>th</sup> century. The class will then explore potential causes for the rise in inequality including technological change, trade, immigration, weakening labor market institutions, and a rise in employer market power. In the second half of the course, students will learn about how beliefs, preferences, and frictions also play a role in shaping wages and employment. Lastly, the course concludes with a summary of the role of nature, nurture, and place in determining individuals' labor market outcomes.

For each topic, there will be a particular emphasis on the interaction between the predictions of the theoretical models and the evidence from empirical studies.

### **Learning Objectives**

Students will be introduced to various theories, methods, and data sources for applied labor economics analysis. By the end of the course students are expected to:

- Demonstrate an understanding of the canonical theories and major empirical findings in the labor economics literature
- Think critically about the assumptions and policy recommendations presented in recent debate
- Become familiar with the quantitative tools used in applied microeconomics research at the level that students are able to identify appropriate methods to answer empirical questions

### **Recommended Preparation:**

Students should be familiar with intermediate microeconomics. Aside from that, basic programming skills and a basic understanding of econometrics would be helpful, but not necessary.

### **Course Notes**

Classes will take the form of lectures and discussions. Students will be provided lecture slides and other notes through Blackboard. Since this syllabus is prepared in advance of the semester, please note that circumstances may arise requiring some adjustment in the syllabus during the semester, especially in the required reading assignments.

## Technological Proficiency and Hardware/Software Required

Students will be required to work with publicly available labor market data for their problem sets. Students may use any programming language of their choice to complete the assignments. A common software used by economists and available at USC Computing Centers is Stata. Alternatively, a free software that students can download on their own system is R.

## Required Readings and Supplementary Materials

See the attached reading list for references to papers that will be covered in this course and other supplementary papers. All journal papers can be obtained through the USC Library.

## Grading Breakdown

Assignment	% of Grade
2 Problem Sets	30
Midterm	30
Final Exam	40
<b>TOTAL</b>	100

## Grading Scale

Grading in this course is generally A to C minus, although students that miss classes or assessments could receive a lower grade. To receive an A, students are expected to demonstrate all of the course objectives to a high level.

## Assignment Submission Policy

Assignments are to be submitted via Blackboard by midnight on its due date.

## Grading Timeline

Assignments will be graded and feedback given within 2 weeks of submission.

## Course Modality

The course content and delivery are designed for either in-person instruction or remote instruction.

Ideally, this course will be taught in person for ease of discussions. However, if circumstances require, the material for this course are also suitable for remote instruction. The course has been designed so that students can independently learn the main themes of the course from the required readings. At the same time, the instructor will guide students in discussions to consolidate key points, answer questions, and develop new ideas. Given the combination of out-of-class reading and group discussions, the pedagogy of this course aims to prepare students to become independent researchers. If the course has to move from in-person to online learning, students will continue to receive lecture slides ahead of time to provide a seamless transition. In that case, the instructor will also provide additional handouts of mathematical solutions where needed so that students can easily follow each step of a problem that would usually be solved on the board in class.

## Course Schedule: A Weekly Breakdown

	Topics/Daily Activities	Readings for each class	Deliverable/ Due Dates
<b>Week 1</b>	Race Between Education and Technology	Atkinson, Piketty, and Saez (2011). "Top Incomes in the Long Run of History" (skip section 3.1)	
<b>Week 2</b>	Returns to Education	Oreopoulos and Salvanes (2011). "Priceless The Nonpecuniary Benefits of Schooling"	Install R (no deliverables)
		Oreopoulos (2006). "Estimating Average and Local Average Treatment Effects of Education when Compulsory Schooling Laws Really Matter" (skip section 1. Theoretical Framework)	
<b>Week 3</b>	Automation, technology, and superstar effect	Autor (2015) "Why Are There Still So Many Jobs: The History and Future of Workplace Automation"	Download CPS data (no deliverables)
		Koenig (2021). "Technical Change and Superstar Effects"	
<b>Week 4</b>	Globalization and the Labor Market	Autor, Dorn, and Hanson (2013). "The China Syndrome: Local Labor Market Effects of Import Competition in the United States" (up to the paragraph that begins on p. 2135 and ends on p. 2136)	Clean the CPS and learn basic R commands (no deliverables)
		Peri (2016). "Immigrants, Productivity, and Labor Markets"	
<b>Week 5</b>	Labor Market Institutions	DiNardo and Lee (2004). "Economic Impacts of New Unionization on Private Sector Employers: 1984–2001"	<b>Problem Set 1</b>
		Allegretto et al. (2013). "Credible research designs for minimum wage studies" (read sections 1-4 and 7, just skim 6, skip section 5 and all appendices)	
<b>Week 6</b>	Monopsony	Dal Bo, Finan and Rossi (2013). "Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service"	
		Azar et al (2019). "Minimum Wage Employment Effects and Labor Market Concentration"	
<b>Week 7</b>	Midterm	Review	<b>Midterm</b>

		<b>Midterm</b>	
<b>Week 8</b>	Labor Supply	Cesarini et al (2017). "The Effect of Wealth on Individual and Household Labor Supply"	
		Martinez et al. (2021). "Intertemporal Labor Supply Substitution? Evidence from the Swiss Income Tax Holidays"	
<b>Week 9</b>	Job Loss and Job Search	David and Von Wachter (2011). "Recessions and the Costs of Job Loss" (Skip section IV)	
		Marinescu and Skandalis (2021). "Unemployment Insurance and Job Search Behavior"	
<b>Week 10</b>	Gender Gap and Compensating Differentials	Goldin (2014). "A Grand Convergence: Its Last Chapter".	<b>Problem Set 2</b>
		Kleven, Landais, and Sogaard (2019). "Children and Gender Inequality: Evidence from Denmark".	
		Mas and Pallais (2017). "Valuing Alternative Work Arrangements"	
<b>Week 11</b>	Race and Discrimination	Lang and Spitzer (2020): "Race Discrimination: An Economic Perspective"	
		Bertrand and Mullainathan (2004). "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination"	
<b>Week 12</b>	Behavioural Economics	Card et al. (2012). "The Effect of Peer Salaries on Job Satisfaction"	
		Grisby et al. (2021). "Aggregate Nominal Wage Adjustments: New Evidence from Administrative Payroll Data"	
<b>Week 13-14</b>	Intergenerational Mobility (if time permits)	Sacerdote (2007). "How Large are the Effects from Changes in Family Environment? A Study of Korean American Adoptees"	
		Chetty et al. (2014). "Where is the land of Opportunity? The Geography of Intergenerational Mobility in the United States"	
		Austin et al. (2018). "Jobs for the Heartland: Place-Based Policies in 21st-Century America"	

<b>Week 15</b>	Place Based Policies and Local Labor Markets (if time permits) Wrap-up and Finals Review	Kline and Moretti (2014). "Local Economic Development, Agglomeration Economies, and the Big Push: 100 Years of Evidence from the Tennessee Valley Authority"	
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## Statement on Academic Conduct and Support Systems

### Academic Conduct:

Plagiarism – presenting someone else’s ideas as your own, either verbatim or recast in your own words – is a serious academic offense with serious consequences. Please familiarize yourself with the discussion of plagiarism in *SCampus* in Part B, Section 11, “Behavior Violating University Standards” [policy.usc.edu/scampus-part-b](http://policy.usc.edu/scampus-part-b). Other forms of academic dishonesty are equally unacceptable. See additional information in *SCampus* and university policies on scientific misconduct, <http://policy.usc.edu/scientific-misconduct>.

### Support Systems:

*Student Counseling Services (SCS) – (213) 740-7711 – 24/7 on call*

Free and confidential mental health treatment for students, including short-term psychotherapy, group counseling, stress fitness workshops, and crisis intervention. [engemannshc.usc.edu/counseling](http://engemannshc.usc.edu/counseling)

*National Suicide Prevention Lifeline – 1 (800) 273-8255*

Provides free and confidential emotional support to people in suicidal crisis or emotional distress 24 hours a day, 7 days a week. [www.suicidepreventionlifeline.org](http://www.suicidepreventionlifeline.org)

*Relationship and Sexual Violence Prevention Services (RSVP) – (213) 740-4900 – 24/7 on call*

Free and confidential therapy services, workshops, and training for situations related to gender-based harm. [engemannshc.usc.edu/rsvp](http://engemannshc.usc.edu/rsvp)

*Sexual Assault Resource Center*

For more information about how to get help or help a survivor, rights, reporting options, and additional resources, visit the website: [sarc.usc.edu](http://sarc.usc.edu)

*Office of Equity and Diversity (OED)/Title IX Compliance – (213) 740-5086*

Works with faculty, staff, visitors, applicants, and students around issues of protected class. [equity.usc.edu](http://equity.usc.edu)

*Bias Assessment Response and Support*

Incidents of bias, hate crimes and microaggressions need to be reported allowing for appropriate investigation and response. [studentaffairs.usc.edu/bias-assessment-response-support](http://studentaffairs.usc.edu/bias-assessment-response-support)

*The Office of Disability Services and Programs*

Provides certification for students with disabilities and helps arrange relevant accommodations. [dsp.usc.edu](http://dsp.usc.edu)

*Student Support and Advocacy – (213) 821-4710*

Assists students and families in resolving complex issues adversely affecting their success as a student EX: personal, financial, and academic. [studentaffairs.usc.edu/ssa](http://studentaffairs.usc.edu/ssa)

*Diversity at USC*

Information on events, programs and training, the Diversity Task Force (including representatives for each school), chronology, participation, and various resources for students. [diversity.usc.edu](http://diversity.usc.edu)

*USC Emergency Information*

Provides safety and other updates, including ways in which instruction will be continued if an officially declared emergency makes travel to campus infeasible. [emergency.usc.edu](http://emergency.usc.edu)

*USC Department of Public Safety – UPC: (213) 740-4321 – HSC: (323) 442-1000 – 24-hour emergency or to report a crime.*

Provides overall safety to USC community. [dps.usc.edu](http://dps.usc.edu)