

## **Introduction to Labor Economics**

### **1. Introduction**

- 1.1. Why labor economics?
- 1.2. Division of labor and comparative advantage
- 1.3. Positive and normative economics. Efficiency and Equity
- 1.4. Different approaches: Lord Keynes and Say's law

### **2. Definitions, facts, and trends**

- 2.1. Labor force and unemployment
- 2.2. Labor market trends
- 2.3. Nominal and real wages
- 2.4. The functioning of the labor market: a simple model

### **3. The demand for labor**

- 3.1. Determinants
- 3.2. Profit maximization and the law of diminishing returns
- 3.3. Demand in the short-run: perfect competition (Product market)
- 3.4. Demand in the short-run: imperfect competition (Product market)
- 3.5. Demand in the long-run
- 3.6. Market demand
- 3.7. Elasticities of demand

### **4. The supply of labor**

- 4.1. The work-leisure decision by individuals
- 4.2. Indifference curves, budget constraint, and utility maximization
- 4.3. Elasticities of supply and determinants
- 4.4. Non-participation, reservation wage, pension and bonuses
- 4.5. Becker's model: extension of the basic model
- 4.6. Cyclic changes in the workforce
- 4.7. Human capital theory: investment in education

### **5. The determination of wages**

- 5.1. Competitive labor market and the law of one wage
- 5.2. Labor market imperfections
- 5.3. Monopoly in the product market
- 5.4. Monopsony in the labor market
- 5.5. Minimum wage law
- 5.6. Union strength
- 5.7. Adjustment dynamics: The 'spider web' model
- 5.8. Types of unemployment

**Literature:**

- McConnell, C. R., Brue, S. L., and Macpherson, D. A., *Contemporary Labor Economics*, 9<sup>th</sup> ed., 2009.
- Ehrenberg, R. G., and Smith, R. S., *Modern Labor Economics*, 10<sup>th</sup> ed., 2008; 11<sup>th</sup> ed. 2011.
- Kaufman, B. E. and Hotchkiss, J. L., *The Economics of Labor Markets*, 2006.
- Block, W., *Labor Economics from a Free Market Perspective*, 1<sup>st</sup> ed., 2008.
- Additional reading material will be distributed in class.

Assessment: final written test (around 2 hours) and weekly practices; grading is: 80 (test) / 20 (practices). The possibility of writing a short essay is also available (extra points).