

ECON 590-002 – Fall 2019

Professor Stan Rabinovich

Topics in Macroeconomic Analysis of the Labor Market

Course Description

This is a topics course in macroeconomics, focusing on the macroeconomic analysis of the **labor market**.

The field of macro-labor is concerned with all aspects of the labor market that have economy-wide relevance. In particular, it studies questions related to determinants of employment and unemployment, allocation and reallocation of workers in the economy, and variation in income across individuals and over time. Both in the long run and in the short run, the labor market is of central importance for the national economy, for many key policy questions, and for individual well-being.

This course is an introduction to macro-labor. We will cover topics such as long-term trends in income, employment, and hours worked; trends in income inequality; search models of unemployment; the effects of fiscal stimulus; the labor market experience of the Great Recession; and application to analysis of policies such as the minimum wage and unemployment insurance.

The course is *model-centered*. We will try to develop theories of the labor market and use them to interpret things we observe in the world, as well as to formulate predictions about the effects of policies. We will also spend some time asking questions such as: Why do we need a model at all? What makes a good model? How do we validate or refute a model using existing data?

Lectures: Tuesday and Thursday, 12:30-1:45 PM, in Gardner 209.

Instructor Information

Stan Rabinovich

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Office: Gardner 303

Office hours: Wednesday 11:00 AM - 12:00 PM or by appointment.

Pre-requisites: ECON 400, 410 and 420. I will assume knowledge of basic calculus concepts, such as derivatives. I will also assume knowledge of basic probability and statistics concepts, such as expected value, conditional probability, and standard deviation.

Materials

There is no textbook. Lectures are the primary source of material, so class attendance is absolutely essential. I will post lecture slides and occasional supplementary notes on Sakai. I strongly recommend reading the posted lecture slides before class whenever possible. However, reading the lecture notes does not substitute for paying attention in class.

Additional required readings may include: academic articles, Federal Reserve publications, and occasional popular press articles. You are expected to do the required reading (which will be announced in advance) before the class for which it is assigned.

Practice problems. I will post practice problem sets. They will not be collected or graded, but I strongly recommend that you do all the problems, as they are excellent practice for the exams. Solutions to the problems will be posted. I may sometimes go over some selected problems in class as a review.

Announcements. You should regularly check the Sakai site for the course. I will use it to post all lecture slides, practice problems, and announcements regarding required reading for the coming classes.

Grading

1. *Midterm Exams* (25% each): There will be 2 midterm exams, given in class on Thursday, September 26, and Thursday, October 31. All exams are closed-book.
2. *Policy paper* (10%): There will be a final paper, in which you will analyze a policy question of your choice. The final paper may be done individually or in groups of 2. If the paper is done in a group of 2, both students will receive the same grade for the paper. Detailed instructions for the paper are below.
3. *Final Exam* (40%): There will be a cumulative final exam, with date, time and location determined by the University Registrar. All exams are closed-book.

Grading Curve. The median grade will be near the B/B+ break. That is, approximately half the class will receive a letter grade of B+ or above, and approximately half the class will receive a grade of B or lower.

Course Policies

Missed exam policy

Make-up or rescheduled exams will **not** be given. Valid excuses for missing an exam are **extreme** events such as a documented medical emergency, a death in the family, or a documented mandatory court date. Please see here for a list of University-approved absences:

<http://catalog.unc.edu/policies-procedures/attendance-grading-examination/>

In such cases, you must inform me *before* the exam if at all possible and have a doctor or dean send me a note certifying that you are unable to take the exam. Note: travel plans do not constitute a valid excuse for missing an exam. Do not make travel plans prior to consulting the Registrar's final exam schedule.

If you have a valid excuse for missing an exam, that exam will be dropped and your grade will be based on your other completed work. If you do not have a valid excuse or you fail to notify me in advance (except in extreme cases), you will receive a score of zero for the missed exam.

Re-grade request policy

If you believe that there is a mistake in the grading of your exam, you may submit your exam for a re-grade. Re-grade requests must be made in writing within one week of receiving the graded exam. The exam must be submitted with no additional markings or changes, along with a detailed written description of the reason for the re-grade request. If an exam is submitted for a re-grade, I reserve the right to re-grade the entire exam. As a result, your grade may go up, go down, or remain the same.

Academic integrity

You are required to behave in accordance with the University of North Carolina honor code. Plagiarism, forgery, unauthorized collaboration, unauthorized use of materials, and any other form of cheating on assignments and examinations will not be tolerated. All exams are closed-book: any use of phones, computers, notes, or books is strictly prohibited. Using or referencing any work such as an article taken from the Internet, in part or in whole, without proper citation is considered plagiarism. Please refer to the University Honor Code: <http://honor.unc.edu>.

Instructions for final paper:

1. Select a normative policy question.
 - The question needs to pertain to the labor market, broadly defined.
 - The policy must not be one that we discussed in detail in class.
 - The question needs to be normative, i.e. containing the word “should.”
 - The question should be focused and specific to a country, e.g. “Should the minimum wage be raised in the US?” rather than “Should the minimum wage be raised?” or “What should be the minimum wage?” You can pick any country.
 - The question can be something under debate right now, something that has been under debate in the past, or something that you think should be on the policy agenda.
2. Provide institutional detail on the policy in question in the country you chose. If applicable, provide background on the policy debate. Explain why you think the policy question is important.
3. Describe the costs and benefits of the policy change under consideration.
4. Analyze the effects of the policy using the economic model(s) developed in class. Your analysis has to contain at least one graph and/or equation.
5. Discuss what is known empirically about the effects of the policy. I do not expect you to conduct empirical analysis of your own, but instead search for existing articles on the topic and find out what is known in the literature.
6. Summarize what you have learned about the pros and cons of the policy (in other words, whether the benefits outweigh the costs or vice versa). If the existing information is inconclusive, what additional evidence would you need to be able to draw a conclusion?

The paper will be graded based on the presence and quality of the above 6 items.

The paper may be at most 10 pages.

The paper may be done individually or in groups of 2. If the paper is done in a group of 2, both students will receive the same grade for the paper. Clearly indicate the names of both students on the paper.