ECON 590 – Fall 2020
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 of 2007-2009 and the current economic crisis triggered by COVID-19; and 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: Tuesdays and Thursdays, 1:15 – 2:30. Lectures will be on **Zoom**. The links will be posted on Sakai, and the classes will be recorded.

Instructor: Stan Rabinovich

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I will aim to respond to student emails in 48 hours. If you have not received a response to your email in 48 hours, please email me again.

Office hours: I will hold Zoom office hours at designated times. I am also available by individual 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

Lectures are the primary source of material. All lectures will be on **Zoom**. Lectures will be recorded and links will be posted. There is no textbook.

I will post lecture slides and occasional supplementary notes on Sakai. I strongly recommend reading the posted lecture slides before class whenever possible.

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. There will also be recommended optional readings.

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 during 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 on Thursday, September 17, and Thursday, October 22. All exams will be online and must be completed through Sakai. Details will be announced. All exams are open-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. The paper will be due at the end of the semester (on or around the last day of classes), exact date/time to be announced.

3. *Final Exam* (40%): There will be a cumulative final exam, with date and time determined by the University Registrar. All exams will be online and must be completed through Sakai. Details will be announced. All exams are open-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

I will provide ample time for students to complete the exam online. Any extension requests due to technical difficulties or medical emergencies will be handled on an individual basis.

If you are completely unable to take the exam due to a **documented medical emergency**, that exam will be dropped and your grade will be based on your other completed work. If you do not have a valid excuse, you will receive a score of zero for the missed exam.

Re-grade request policy

If you believe that there was a mistake in the grading of your exam, you may request a re-grade. Re-grade requests must be made by email within <u>one week</u> of receiving the graded exam. 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. 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.

Exams are online and are open-book. You will be allowed to consult your notes and any course materials, including lecture notes and lecture videos. However, you are **not** allowed to talk to each other during the exam or use Internet sources outside of the course materials.

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.

The paper will be submitted online through Sakai and will be due at the end of the semester.