

ECON 522 – Spring 2024
Professor Stan Rabinovich

Topics in Macroeconomic Analysis of the Labor Market

Course Description

This is a topics course in macroeconomics, focusing on the 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 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, 11:00 AM – 12:15 PM, in Gardner 308.

Instructor: Stan Rabinovich.

Email: srabinov@email.unc.edu *Office:* Gardner 302

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: Wednesdays, 2:00-3:00 PM. I will hold weekly walk-in office hours. If necessary, 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

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 **Canvas**. 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, online video lectures, 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 Canvas 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, February 29, and Thursday, April 4. 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. The paper will be due on Tuesday, April 30, at 5:00 PM, and will be submitted through Canvas.
3. *Final Exam* (40%): There will be a cumulative final exam given on Tuesday, May 7, at 12:00 PM. The final exam is 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.

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 Canvas and will be due on Tuesday, April 30, at 5:00 PM.

Course Policies

University Policy on Attendance:

By University Policy, no right or privilege exists that permits a student to be absent from any class meetings, except for these University Approved Absences:

1. Authorized University activities
2. Disability/religious observance/pregnancy, as required by law and approved by Accessibility Resources and Service and/or the Equal Opportunity and Compliance Office (EOC)
3. Significant health condition and/or personal/family emergency as approved by the Office of the Dean of Students, Gender Violence Service Coordinators, and/or the Equal Opportunity and Compliance Office (EOC).

Missed exam policy

If you are unable to take an exam due to a **University-approved absence** (see above), that exam will be **dropped** and the weight of the exam will be re-distributed equally between the other two exams.

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 one week 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.

Changes to the Syllabus

I reserve the right to make changes to the syllabus, including due dates. If changes are made, they will be announced as soon as possible. In particular, changes may be made to the syllabus if the course is forced to switch to remote format.

Course Outline (tentative)

1. Labor supply

Income and substitution effects in labor supply. Applications to tax and transfer programs such as Universal Basic Income. Applications to long-term trends in aggregate hours worked, female labor force participation, division of labor within the household, and the effects of technological progress as well as the recent COVID-19 pandemic.

2. Production and labor demand

Production technology. Labor demand in perfectly competitive and monopsonistic labor markets. Applications to labor market regulations such as the minimum wage. Applications to the effects of technological progress on long-term trends in productivity, wages, and the labor share of income.

3. Wage inequality

Effects of technological progress on the college premium. Skill-biased technical change. Capital-skill complementarity. Residual wage inequality. Occupational reallocation of labor.

4. Consumption and saving

A two-period model of consumption and saving. Ricardian equivalence. Effects of credit constraints. Applications to studying the effects of fiscal stimulus programs.

5. Labor market frictions

Understanding data on labor market flows in the United States. Search models of the labor market: job search effort, reservation-wage, and equilibrium search model. The Beveridge curve. Applications to the effects of unemployment insurance, jobless recoveries, mismatch, and the experience of the 2007-2009 Great Recession as well as the recent COVID-19 pandemic.

University of North Carolina at Chapel Hill
Statements for Undergraduate Classes
Spring 2024

Attendance Policy

University Policy: As stated in the University's [Class Attendance Policy](#), no right or privilege exists that permits a student to be absent from any class meetings, except for these University Approved Absences:

1. Authorized University activities: [University Approved Absence Office \(UAAO\) website](#) provides information and [FAQs for students](#) and [FAQs for faculty](#) related to University Approved Absences
2. Disability/religious observance/pregnancy, as required by law and approved by [Accessibility Resources and Service](#) and/or the [Equal Opportunity and Compliance Office](#) (EOC)
3. Significant health condition and/or personal/family emergency as approved by the [Office of the Dean of Students](#), [Gender Violence Service Coordinators](#), and/or the [Equal Opportunity and Compliance Office](#) (EOC).

Honor Code

All students are expected to follow the guidelines of the UNC honor code. In particular, students are expected to refrain from "lying, cheating, or stealing" in the academic context. If you are unsure about which actions violate that honor code, please consult honor.unc.edu.

Artificial Intelligence (AI) Use Policy – CAS units only

Instructors should specify the details of AI Use Policies for the particular course, either by indicating that:

Use of generative AI tools of any kind is not permitted in this course. Any use of these tools will be considered an instance of academic dishonesty and will be referred to the Honor System.

- or -

The following uses of generative AI tools are permitted in this course: *Categories of possible permitted use include, but are not limited to: topic selection, brainstorming and idea generation, research, source validation, outlining and planning, drafting, media creation, peer review, revising, and polishing.*

Syllabus Changes

The instructor reserves the right to make changes to the syllabus including project due dates and test dates. These changes will be announced as early as possible.

Accessibility Resources and Service

[Accessibility Resources and Service](#) (ARS – ars@unc.edu) receives requests for accommodations, and through the Student and Applicant Accommodations Policy determines eligibility and identifies reasonable accommodations for students with disabilities and/or chronic medical conditions to mitigate or remove the barriers experienced in accessing University courses, programs and activities.

ARS also offers its Testing Center resources to students and instructors to facilitate the implementation of testing accommodations.

Counseling and Psychological Services

UNC-Chapel Hill is strongly committed to addressing the mental health needs of a diverse student body. The [Heels Care Network](#) website is a place to access the many mental health resources at Carolina. CAPS is the primary mental health provider for students, offering timely access to consultation and connection to clinically appropriate services. Go to their website <https://caps.unc.edu/> or visit their facilities on the third floor of the Campus Health building for an initial evaluation to learn more. Students can also call CAPS 24/7 at 919-966-3658 for immediate assistance.

Title IX and Related Resources

Any student who is impacted by discrimination, harassment, interpersonal (relationship) violence, sexual violence, sexual exploitation, or stalking is encouraged to seek resources on campus or in the community. Reports can be made online to the EOC at <https://eoc.unc.edu/report-an-incident/> or by contacting the University's Title IX Coordinator (Elizabeth Hall, titleixcoordinator@unc.edu) or the Report and Response Coordinators in the Equal Opportunity and Compliance Office (reportandresponse@unc.edu). Confidential resources include Counseling and Psychological Services and the Gender Violence Services Coordinators (gvsc@unc.edu). Additional resources are available at safe.unc.edu.