REQUIRED COURSE READINGS:
We will cover (on average) two articles per week between weeks 2 and 11 (20 articles total); these are the readings you will be responsible to know for your exam. There will be four additional readings, one corresponding to each assignment. There is no required textbook, but Benjamin, Gunderson, Lemieux and Riddell *Labour Market Economics* 6th Edition provides a good undergraduate-level primer, and some topics draw on Manning’s *Monopsony in Motion* (2003). The other readings should be available online through the UofT VPN service; I will also make them available on the Blackboard course website.

CLASS SCHEDULE
Classes will consist of one hour of lecturing on the basic theory underlying each topic, drawn from survey readings or the two textbooks mentioned above, followed by a 50 minute discussion of the applied readings, with a ten minute break in the middle. Class notes on all the readings will be provided on Blackboard.

Week 1 – Course introduction: Review: Static labour supply and demand
The individual and (unitary) household labour supply problem; continuous and corner solutions for labour supply; comparative statics and static labour supply elasticities; competitive labour demand
Readings (optional for brush-up): Benjamin et al, Chapters 2 and 5

Week 2 – Unions I
Allocation of labour in competitive and unionized labour markets. Efficient vs. right-to-manage union bargaining. Identifying the union’s objective function
Readings: Oswald (1985); Brown & Ashenfelter (1986)

Week 3 – Unions II
Effects of unions: wages, employment, inequality.
Readings: Card, Lemieux & Ridell (2002); Boal & Pencavel (1994)

Week 4 – Monopsonistic labour markets
Week 5-7 – Intertemporal labour supply
Theory and estimation of intertemporal labour supply; Micro-based vs. macro-based estimates of intertemporal substitution

Week 8 – Dynamic programming and and perpetual youth models of labour supply
Readings: Domeij & Floden (2006); Burkhauser, Butler & Gumus (2004)

Week 9 – Labour search, unemployment and wages
Readings:; Rogerson, Shimer & Wright (2007); Hall and Kreuger (2008)

Week 10 – Application: optimal unemployment insurance
Readings: Shavell & Weiss (1979); Hansen & Imrohoroglu (1982)

Week 11 – Static family labour supply

Week 12 – Dynamic family labour supply
Readings: Becker (1985); Mazzocco & Yamaguchi (2007)

CLASSES END

EVALUATION
60% -- Three of four assignments, comparing and analyzing one of the required and one supplemental course reading. The assignments are worth 20% each and only three of them should be completed as fits your schedule and interest. The due dates for the assignments are the beginning of class Week 4, Week 7, Week 9 and Week 11. Masters and PhD students will complete the same assignments, but standards will be adjusted accordingly.

40% -- April exam, date TBA

There are no points for attendance/participation, but misunderstandings of the theory in your assignments will be treated more kindly if you've been in class.

ASSIGNMENTS (3 to 5 pages each; double or space and a half)

Assignment #1: Explain the approach of Brown & Ashenfelter (1986) in testing and assessing the monopoly (labour demand curve) vs. efficient contracting (contract curve) models of union bargaining. Are you convinced by their empirical results?
Assignment #2: Describe the empirical strategy for estimating intertemporal labour supply elasticity proposed by MaCurdy (1981). What assumptions about preferences and the economic environment are most important for MaCurdy's results?

Assignment #3: Domeij & Floden (2006) and Rogerson, Rupert & Wright (2000) offer two micro-based explanations of the estimated gap between individual-level (micro) and aggregate (macro) estimates of intertemporal wage elasticities. Explain the two resolutions and discuss which you find more convincing, intuitively and in terms of the exposition in the papers.

Assignment #4: Provide an economic critique of Acemoglu & Shimer (2000), in the context of the theory covered in the course on search and optimal unemployment insurance.

LATE ASSIGNMENT POLICY

Assignments must be handed in at the beginning of the class in which they are due. To maintain a level playing field, extensions will be given only in extreme circumstances. After one assignment is missed, additional late assignments will be penalized at 5% per day.

COURSE BIBLIOGRAPHY (required readings)


