The aim of this course is to acquaint students with traditional topics in labour economics and to encourage the development of independent research interests. Prerequisites include intermediate microeconomics, macroeconomics and econometrics.

Suggested readings

Books


Suggested readings by subject areas:

**MICHAELMAS TERM**

Barbara Petrongolo R435, x7799, b.petrongolo@lse.ac.uk. Office Hour: Mondays 14:30-15:30.

This part will primarily be about the determinants of equilibrium unemployment and why it varies so much across time and countries. Both static and dynamic models of unemployment will be described, with special emphasis on the role of institutions and testable implications.

**A – Unemployment: Overviews**


*O. Blanchard and L. Katz “What We Know and Do Not Know About the Natural Rate of Unemployment”, *Journal of Economic Perspectives* 11: 51-72, 1997.


**B – Unemployment: Static models**

**Unions**

*A. Booth, The Economics of the Trade Union, Cambridge University Press, 1995 (esp. chapter 5) (CC HD6664 B72)


**Efficiency Wages**


**Mismatch**


**C – Unemployment: Dynamic models**

**Search and matching models of the labour market**


*C. A. Pissarides Equilibrium Unemployment Theory, 2nd Edition, Basil Blackwell, 2000 (esp. chapters 1, 2 and 8) (CC HD5707.5 P67)


**Wage posting**


**Estimation**


**D – Unemployment and Institutions**


**LENT TERM**

Alan Manning R451, x6078 manning@lse.ac.uk Office Hour: Tuesdays 11.30-12.30

This part will primarily be about the determinants of wage inequality and why it varies so much across time and countries.

**Introduction**

In the introduction to the course, two general 'models' of the labour market will be described:

- perfect competition (which is probably familiar to most)
- a model based on frictions

As the second model is likely to be less familiar the following model summarizes a simple model of a frictional labour market:

A. Manning "A Simple Model of a Labour Market with Frictions" (to be distributed) (this can also be found on my web-site).

A brief summary of the main aspects of the empirical wage distribution will be presented and a brief discussion of changes over time.

A good survey is:


**A. The Returns to Education and Human Capital**

G. Becker “Human Capital”


**B. Wages and the Life-Cycle**

The classic reference on the competitive explanation is:

*J. Mincer *Schooling Experience and Earnings*, CC HD4975 M66
though discussion can be found in most labour textbooks. A handout on the predictions of search models will be given: more discussion can be found in:

A. Manning *Monopsony in Motion*, ch6

The literature on the costs of job loss is also relevant here: a summary can be found in:


C. Gender and Racial Pay Gaps

The classic neo-classical model of discrimination is to be found in:

G. Becker *The Economics of Discrimination* CC HD4903.5.U5 B39

Other references:


A. Manning *Monopsony in Motion*, ch7.


D. Employers and Wages

A. Manning *Monopsony in Motion*, ch8.

E. Technology, Trade and the Wage Distribution


(This is a summary of his book “North-South trade, employment and inequality: changing fortunes in a skill driven world”, 1994, HD5852 W87).


F. The Supply of Labour and the Wage Distribution


G. The Minimum Wage

*D. Lee "Wage Inequality in the United States During the 1980s: Rising Dispersion or Falling Minimum Wage?", Quarterly Journal of Economics, August 1999, HB1.


(Plus collection of reviews in Industrial and Labor Relations Review, July 1995)


H. Immigration

