Labor Economics Final Exam Study Outline

Graph Review

Plotting coordinate points.
Slopes and intercepts
Slope of curve (uses slope of tangent line)

Chapter 1: The Labor Market

Four reasons that labor market is different from other markets
Five key labor market outcomes/trends
Three forces that have caused these labor market outcomes
S&D basics (moving along curves versus shifting curves; process for re-equilibration)
Theory; hypotheses; positive versus normative.

Chapter 2: Hours of Work

Neoclassical labor supply model: properties of indifference curves, properties of budget constraints
Graphical presentation of hours worked for individual (U-max choice from above model)
Income and substitution effects
Welfare policy issues (goals; barriers to work)

Chapter 3: Labor Force Participation

Definitions of terms
Male; female labor force participation trends
Show LFP decision graphically (corner solution; reservation wage)
If out of LF: increase in wage causes pure substitution effect
LFP elasticities
Deficiencies in this model
Household model: three uses of time
Becker’s time allocation model
Age-LFP profile for men; women.
Reasons for decline in male LFP over time (some different for diff. ages)
Reasons for increase in female LFP over time
LF changes during recession (added worker effect vs discouraged worker effect)
Bargaining model of family labor supply