Midterm Review Sheet, Economics 8220, Spring 2016
Human Resources and Labor Markets
Barry Hirsch

The midterm is Tuesday, February 23, at 7:15 p.m. It will consist of four graphical/essay and essay questions covering topics in the list below (syllabus sections I-IV). You will have some degree of choice regarding which questions you answer. Please bring paper or a large blue book. Topics for review are provided below.

2. The fundamentals of labor demand and supply.
3. Labor supply theory. Indifference curve analysis, deriving labor supply curve, decomposing substitution and income effects from wage changes, graphical analysis.
6. Labor demand: marginal productivity theory; profit maximization conditions for the firm. SR and LR.
7. Substitution effects (SE) and output/scale effects (OE) in labor demand from wage changes and changes in price of other inputs (capital). Complements and substitutes.
8. Labor demand elasticity; the Marshall-Hicks laws of derived demand; applications (e.g., labor union bargaining power, minimum wage employment effects).
11. Human capital and investment in education
   a. Returns to education: earnings, discounting, discount rate (i.e., individual rate of time preference), present value of schooling investments, internal rates of return. The determinants of college-going.
   b. Measurement issues and evidence on rates of return to schooling (e.g., nonmonetary returns, ability bias, selection). Mincer wage equations. (see Borjas text and Oreopoulos-Petronijevic).

Note: You are not responsible for post-school human capital (e.g., general and firm-specific on-the-job training, who bears training costs and who receives returns, effects on quits and layoffs, use of temporary workers, etc.). We will briefly discuss these topics following the midterm.
