Daily Objectives for the Midterm

1 Introduction

- Define labor market discrimination.
- List 2 reasons why economists study labor market discrimination.

2 Historical and Current Labor Market Differences by Race and Gender

2.1 Earnings

- Define and calculate an earnings ratio (ER) and an earnings gap (GAP).
- List the current (2006 III) median weekly ERs for
  i. women and men
  ii. African American men relative to white men
  iii. African American women relative to white women.
- Indicate whether the trends in annual ERs for the 3 groups listed above are positive, negative or fairly constant in each of these periods: 1955-1975; 1976-2005; 1980-2005.

2.2 Unemployment

- Define unemployed and unemployment rate (UR).
- Explain 4 types of unemployment captured by the UR.
- Discuss 2 aspects of unemployment which are not included in the UR.
- List 4 consequences of unemployment.
- Compare the current URs for men, women, African Americans and whites, and African American teens and white teens.
- Explain how the UR differences between women and men, and between African American men and white men, have changed over time.

2.3 Occupational Outcomes

- Write the equation for the Duncan and Duncan Index of Occupational Dissimilarity, \( D \) (i.e., Segregation Index).
- Explain the meaning of a particular value of \( D \).
- Identify the range of values for \( D \).
- Calculate \( D \) for an example.
- Did \( D \) increase, decrease or stay the same from 1970-2000 for women and men and from 1973-2000 for African Americans and whites?
- Identify the current (2000) values of \( D \) by sex and by race.
2 Historical and Current Labor Market Differences by Race and Gender (continued)

2.4 Labor Force Participation Rates
- Define labor force participation rate (LFPR).
- Write down the individual’s labor force participation (LFP) decision rule, and define all terms.
- Explain the discouraged worker and added worker effects of unemployment.
- List 3 factors which affected the LFPR of women in World War II.
- Indicate 2 reasons for the declining LFP of men since 1890.
- Explain why the LFP of women increased more than 3-fold since 1890.
- State the current LFPRs of women and men.
- Compare the LFPR trends for African American and white women and for African American and white men.

3 The Labor Market in Perfect Competition

3.1 Demand for Labor
- Define firm demand for labor (dL).
- State the firm’s profit-maximizing condition for optimal employment, and define your terms.
- Explain why the demand for labor curve slopes downward in the short run.
- Identify the determinants of the market demand for labor (DL).
- Show graphically and explain how changes in each determinant affects DL.

3.2 Supply of Labor
- Define individual labor supply (sL).
- State the utility-maximizing condition for the number of work-hours desired, and define your terms.
- Explain why the labor supply curve (sL) could “bend back” for some individuals.
- Identify the determinants of the market supply of labor (SL).
- Show graphically and explain how changes in each determinant affects SL.

3.3 Labor Market Equilibrium
- Determine equilibrium wage and employment levels graphically for a particular occupation.
- List the determinants of the equilibrium wage and employment levels for an occupation in perfect competition.
- Show graphically how a change in each determinant would affect the equilibrium wage and level of employment.
- Discuss how wage differences might arise between groups even if there were no discrimination.
3.4 Long-Run Elimination of Discrimination
   • Explain how market forces could eliminate discrimination in a perfectly competitive labor market.

3.5 Assumptions of the Labor Market in Perfect Competition
   • Discuss how wage differences might arise between groups even if there were no discrimination.
   • Are assumptions useful even if they are not true? Why or why not?