

Study Guide for the Final

The final is comprehensive and covers all of the material before the midterm (Parts 1 and 2 on the syllabus), Section 3.1.1 on Minimum Wages, and the readings on the Revised Reading List. Your oral presentations prior to the midterm and the presentations by Becky Knudson and George Naughton will not be covered on the exam. Refer to the Study Guide for the Midterm for earlier objectives. The material since the midterm will be weighted more heavily than the earlier work.

The course outline, readings, and objectives since the midterm are listed below. They are followed by information on reporting on journal articles, an exam question based on the student presentations, and some background information regarding the Americans with Disabilities Act.

Course Outline, Readings, and Objectives since the Midterm

Part 3 – Selected Policy Issues

3.1 Policies to Alleviate Poverty

3.1.1 *Minimum Wages and Living Wages* (continued from before midterm)

► Ehrenberg, Ronald G. and Robert S. Smith, *Modern Labor Economics: Theory and Public Policy*, Ninth Edition, Boston: Pearson Addison Wesley, 2006, pp. 94-96, 107-115.

Card, David and Alan B. Krueger, "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania," *American Economic Review*, 84(4), September 1994, pp. 772-793.
<http://0-web.ebscohost.com.oasis.oregonstate.edu/ehost/detail?vid=3&hid=122&sid=7a1bffa7-7132-4d18-960d-12df42621614%40sessionmgr104>

Burkhauser, Robert V., Kenneth A. Couch and David C. Wittenburg, "A Reassessment of the New Economics of the Minimum Wage Literature with Monthly Data from the Current Population Survey," *Journal of Labor Economics*, 18(4), October 2000, pp. 653-680.
<http://0-web.ebscohost.com.oasis.oregonstate.edu/ehost/detail?vid=3&hid=109&sid=75ba696b-f7b7-40b2-b799-68ec48245caa%40sessionmgr108>

Yelowitz, Aaron, "Santa Fe's Living Wage and the Labor Market," Employment Policies Institute, September 2005. http://www.epionline.org/study_detail.cfm?sid=90

- Define the own-wage elasticity of demand for labor.
- Identify elastic, unitary elastic, and inelastic segments along a labor demand curve.
- Compare an elastic and an inelastic labor demand curve at a given wage rate.
- Show graphically how the minimum wage results in unemployment.
- Explain why the elasticity of labor demand is important for minimum wage policy.
- Show how the minimum wage affects the covered and the uncovered sectors of the labor market.
- State the estimates of the elasticity of teen employment with respect to the minimum wage according to Brown (1999), based on his survey of studies. The estimates imply that a 10 percent increase in the minimum wage leads to a _____ change in employment. (Fill in the blank.)
- What were the findings of the body of work by Card and Krueger since the 1990s regarding the elasticity of teen employment with respect to the minimum wage?
- Explain how Card and Krueger (1994) used the difference-in-differences approach to estimate minimum wage effects.
- What is the consensus among economists regarding the value of the elasticity of teen employment with respect to the minimum wage today? (Answer: there is none.)
- Explain the difference between living wages and minimum wages.

3.1.2 *Traditional Welfare and the Earned Income Tax Credit*

- Ehrenberg and Smith, pp. 170-189.
- Hoffman, Saul D. and Laurence S. Seidman, *Helping Working Families: The Earned Income Tax Credit*, W.E. Kalamazoo, MI: UpJohn Institute for Employment Research, 2003, Chapters 1, 3 and 5.
- Discuss the phase-in, stationary and phase-out phases of the earned income tax credit (EITC) and draw a graph relating earnings to the amount of the credit. (You need not use specific numbers.)
- Explain how the EITC might draw some people into the labor force, and how it might discourage work.
- What does the empirical literature show about the impact of EITC on labor supply overall?
- Compare the incentives for work for the EITC and traditional welfare, i.e., AFDC/TANF.
- Compare and contrast minimum wage policy with the EITC regarding targeting efficiency and labor market impacts.

3.2 Policies Aimed at Special Populations

3.2.1 *The Disabled and the Americans with Disabilities Act (ADA)*

► Stapleton, David C. and Richard V. Burkhauser, eds., *The Decline in Employment of People with Disabilities: A Policy Puzzle*, Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2003, Chapter 11.

(See last page for background information on the ADA)

- State the 3 points of agreement on the decline in employment for the disabled by the authors who contributed to the volume edited by Stapleton and Burkhauser (S&B).
- According to S&B, what is the direction of the theoretical impact of the ADA on employment? Explain.
- Referring to Blanck, et al., S&B discuss the impact of the ADA on the ‘culture of disability,’ which might affect employment in the long run. Explain what is meant by ‘culture of disability’ in this context.
- The employment decline for disabled persons may have been an unintended consequence of well-intentioned public policy, in particular, the ADA and SSDI and SSI programs. Explain the incentives that were created by the ADA and the SSDI and SSI programs.
- List 2 features of the ADA that differ from the Civil Rights Act of 1964.
- Identify the 3 approaches suggested by B&S for improving ADA compliance and employment outcomes.
- S&B suggest a “three-pronged” attack for overall policy change for people with disabilities. What is it?

3.2.2 *Selected Policies Affecting Youth*

Tremblay, Carol Horton and Davina Ling, “AIDS Education, Condom Demand, and the Sexual Activity of American Youth,” *Health Economics*, 14(8), August 2005: 851-867.

<http://www3.interscience.wiley.com/cgi-bin/fulltext/110428639/PDFSTART>

Jacob, Brian A. and Lars Lefgren, “Are Idle Hands the Devil’s Workshop? Incapacitation, Concentration and Juvenile Crime,” *American Economic Review* 93(5), December 2003: 1560-1577. Link to AER:

<http://oasis.oregonstate.edu/search/tAmerican+Economic+Review&submit=Search/tamerican+economic+review/1%2C1%2C3%2CE/frameset&FF=tamerican+economic+review&2%2C%2C3>

(See “Reporting on Journal Articles” below.)

3.3 Externalities and Public Goods

3.3.1 *Smoking*

▸ Pindyck and Rubinfeld, pp. 641-669.

▸ Folland, Sherman, Allen C. Goodman, and Miron Stano, *The Economics of Health and Health Care*, Fifth Edition, Upper Saddle River, NJ: Pearson Prentice Hall, 2007, "Excise Taxes and Consumption of Cigarettes and Alcohol," pp. 535-538.

- Define public goods, nonrivalry, nonexclusion, free rider, and externalities.
- Show graphically how a public good will be underproduced in a competitive market.
- Suppose that when a firm produces a good, it imposes an external cost on another producer or consumer. Show graphically that a competitive market will overproduce the good.
- Higher education creates private benefits to the student, as well as social benefits, such as enhanced potential to contribute to society (e.g., medical discovery or being an informed voter and citizen). Show graphically how the competitive market (i.e., only private universities) would fail to produce the socially optimal level of education.
- Define property rights.
- Describe 3 methods for dealing with externalities, including the Coase Theorem.
- According to the Coase Theorem, what is the role of government in transactions involving externalities?
- What was an unforeseen consequence of the Cigarette Broadcast Advertising Ban of 1971?
- Define common property resources and give examples.
- Explain how transferable emissions permits are used to contain external costs.

Reporting on Journal Articles

You should be able to state the important elements of the following journal articles: Card and Krueger, (1994); Burkhauser, Couch and Wittenburg (2000); Tremblay and Ling (2005); and Jacob and Lefgren (2003). Include the usual elements:

- Primary question(s) addressed in the paper
- Method used to analyze the question
- Data source used in the article, if relevant
- Results, focusing on the implications for the primary question(s)
- Policy implications.

You might also think about any weaknesses of the paper. Be concise – your answer should be only about 1/2 of a page and may be in list form.

Exam Question for Student Presentations (March 10 and March 12)

Choose a presentation by one of your colleagues of interest to you. Discuss the question of interest, the main points of the paper, and the student's conclusion regarding the evidence and the original question.

Background Information about the Americans with Disabilities Act

The *employment provisions of the ADA* prohibit discrimination on the basis of disability in all employment practices and mandates "reasonable" job accommodation.

A *disabled person* is one with a physical or mental impairment that substantially limits one or more major life activities, has a record of such an impairment, or is regarded as having such an impairment. Major life activities are activities that an average person can perform with little or no difficulty such as walking, breathing, seeing, hearing, speaking, learning, and working.

A *qualified employee or applicant with a disability* is someone who satisfies skill, experience, education, and other job-related requirements of the position held or desired, and who, with or without reasonable accommodation, can perform the essential functions of that position.

Reasonable accommodation may include, but is not limited to, making existing facilities used by employees readily accessible to and usable by persons with disabilities; job restructuring; modification of work schedules; providing additional unpaid leave; reassignment to a vacant position; acquiring or modifying equipment or devices; adjusting or modifying examinations, training materials, or policies; and providing qualified readers or interpreters.