

## Changes in the Seventh Edition

The Seventh Edition continues and expands traditions established in earlier editions. In particular, the text has a number of new detailed policy discussions and uses the evidence reported in state-of-the-art research articles to illustrate the many applications of modern labor economics. As before, the text continues to make frequent use of such econometric tools as fixed effects, the difference-in-differences estimator, and instrumental variables—tools that play a central role in the toolkit of labor economists. In keeping with my philosophy that textbooks are not meant to be encyclopedias, some of the material that had been a staple in earlier editions has been shortened and sometimes even excluded, so that the Seventh Edition is roughly the same length as previous editions.

Users of the textbook reacted favorably to the substantial rearrangement of material (mainly of labor supply) that I carried out in previous editions. The Seventh Edition continues this reframing by tightening up and bringing together much of the discussion on immigration. Specifically, I have moved the derivation of the immigration surplus model to the general discussion of international migration in the Labor Mobility chapter. This rearrangement of the material gave me the opportunity to add a new section that shows how the gains from immigration can be greatly increased if immigrants generate human capital externalities in the receiving country's labor market. The extension of the immigration surplus model allows for an even more policy-relevant (and economically interesting) coverage of an important topic—a topic that many students find to be a particularly useful application of the theoretical models of labor economics.

The last edition introduced a Mathematical Appendix that appears at the end of the textbook. This appendix presents a mathematical version of some of the canonical models in labor economics, including the neoclassical model of labor-leisure choice, the model of labor demand, and the schooling model. It is important to emphasize that the Mathematical Appendix is an “add-on.” None of the material in this appendix is a prerequisite to reading or understanding any of the discussion in the core chapters of the textbook. Instructors who like to provide a more technical derivation of the various models can use the appendix as a takeoff point for their own presentation. Many instructors welcomed the addition of the mathematical appendix to the textbook. I, in turn, would truly welcome any suggestions about how the appendix can be expanded in future editions.

Among the specific changes contained in the Seventh Edition are:

1. Several new “Theory at Work” boxes. The sidebars now include a discussion of how workers take advantage of the institutional features of the Earned Income Tax Credit to “bunch up” their hours and ensure they receive the maximum subsidy; the interesting relation between increases in the minimum wage and teenage drunk driving; the important role that “Rosenwald schools” played in narrowing the education gap between white and African-American workers; and the labor market impact of explicit gender discrimination in employment ads in China.

2. A careful updating of all the data tables in the text. To the extent possible, the tables now include information on the rapidly growing demographic group of “Asians” in the U.S. labor market and the text often discusses the differences between Asians and other racial/ethnic groups.

3. A careful summary and discussion of unemployment trends in the United States since the financial crisis of 2008 and the subsequent Great Recession.

4. New sections that discuss the labor market effects of Obamacare; the experimental evidence on the link between various methods of incentive pay for teachers and student achievement; the labor market impact of the explosive growth in trade with China; the potentially important role played by the human capital spillovers presumably generated by high-skill immigration; and the link between compensating differentials and income taxes.

As in previous editions, each chapter contains “Web Links,” guiding students to websites that provide additional data or policy discussions. There is an updated list of “Selected Readings” that includes both standard references in a particular area as well as recent applications. Finally, each chapter in the Seventh Edition continues to offer 15 end-of-chapter problems, but there is at least one brand new problem in each chapter.