Welcome. I am Prof. Jeffrey S. Zax. This is Economics 4626, The Economics of Inequality and Discrimination.

**Course description:**

The purpose of this course is to investigate the extent of inequality, its causes and its consequences. This investigation occurs at both the macroeconomic and microeconomic level. At the macroeconomic level, we discuss the relationship between inequality and growth and the effects of different national institutions on this relationship. At the microeconomic level, we discuss inequality in multiple dimensions. We analyze the individual choices from which and economic contexts in which it arises. We complete this discussion with an examination of discrimination: inequality which arises when disadvantages are imposed through coercive denial of market opportunities.

This course requires previous completion of Economics 3070, Intermediate Microeconomic Theory, or its equivalent. This prerequisite will be enforced. In addition, previous completion of Economics 3080, Intermediate Macroeconomic Theory, or its equivalent, is helpful. Anyone uncertain with regard to their preparation should consult with me immediately.

This course will meet on Tuesdays and Thursdays from 12:30 p.m. until 1:45 p.m. throughout the semester in Humanities 1B90. I will hold regular office hours between 2:00 p.m. and 4:00 p.m. on Tuesdays and between 11:00a.m. and 12:00p.m. on Thursdays in Economics 111, my office. Appointments may be made for meetings at other times, if these are inconvenient.

Performance in this course will be judged on the basis of five instruments. The final examination will take place on Tuesday, 7 May, from 1:30 p.m. until 4:00p.m. It will require the full 2.5 hours and be worth 150 points. Any student who has three or more final examinations
scheduled on 7 May has the right to reschedule all exams following the first two. Any student wishing to invoke this right must do so by 27 February.¹

Two midterm examinations will each take 40 minutes, and be worth 40 points. They will take place on 12 February and 9 April unless class progress deviates significantly from expectations. Examinations will ordinarily consist of short essay questions addressing the material in lectures and readings. They may also include short computational exercises.

Two papers complete the course requirements. Each will analyze the issues presented in a case from the Harvard Business School, based on discussions in class and the material in readings. The cases will be available at the UMC Book Store. Both papers must be type-written, double-spaced, with conventional margins. Papers that exceed the maximum lengths, either in physical length or because of compressed format, will be penalized. These papers must be submitted electronically to the email address above in the Adobe .pdf format. The computers in the computer lab in the basement of the Economics Building can create .pdf files from Word files. Make sure that you arrange to convert your papers to .pdf format before the deadline for submission. Speak with me in advance if you anticipate difficulty with this requirement. Only .pdf files will be accepted.

The first term paper is a three-page discussion of Inequality and Globalization, Harvard Business School Case No. 9-705-040. It will be due on 26 February unless class progress deviates significantly from expectations. It will be worth 20 points. The second paper is a five-page discussion of Chile: The Conundrum of Inequality, Harvard Business School Case No. 9-907-411. It will be due on 23 April unless class progress deviates significantly from expectations. It will be worth 50 points.

Excuses for the five course requirements will be granted only under extraordinary circumstances. If granted, the excused points will be reallocated to subsequent requirements. The course as a whole is valued at 300 points. The score attained by each student, evaluated relative to those of other students and to the score which would be attained by an intelligent student of economics at this level, will determine final letter grades.

The material to be mastered in this class is contained in the lectures and assigned readings. The tentative schedule of topics below also includes the list of assigned readings. All articles in the Journal of Economic Perspectives are available as .pdf files through the University Library’s website. From any University computer, follow this protocol:

1. Access the Library website at http://ucblibraries.colorado.edu/.
2. Click on “search Chinook Classic”.

¹ University policies regarding multiple final examinations on the same day are available at http://www.colorado.edu/policies/final_exam.html.
3. Search by “Title”.
4. Enter “journal of economic perspectives” in the adjacent field.
5. Click on “Journal of Economic Perspectives (Online)”.
6. Click on “Full-text available from AEA”.
7. Locate the desired article.

Additional readings may be assigned at my discretion.

**Tentative schedule:**

<table>
<thead>
<tr>
<th>Date</th>
<th>Lecture number</th>
<th>Lecture title, readings and assignments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td><strong>I. The Measurement of Inequality</strong></td>
</tr>
<tr>
<td>15 January</td>
<td>1</td>
<td>Introduction</td>
</tr>
<tr>
<td>17 January</td>
<td>2</td>
<td>Simple inequality measures</td>
</tr>
<tr>
<td>22 January</td>
<td>3</td>
<td>Lorenz curves and Gini coefficients</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>II. The Macroeconomics of Distribution</strong></td>
</tr>
<tr>
<td>24 January</td>
<td>4</td>
<td>The effects of growth on inequality</td>
</tr>
<tr>
<td>29 January</td>
<td>5</td>
<td>The effects of inequality on growth</td>
</tr>
<tr>
<td>31 January</td>
<td>6</td>
<td>Institutions and inequality</td>
</tr>
</tbody>
</table>

5 February 7. Intertemporal inequality


7 February 8. Inter-country inequality


12 February First midterm examination

III. The Microeconomics of Distribution

14 February 9. Investments in human capital: Schooling, training, experience and the value of life


19 February 10. Intrigenerational mobility

21 February 11. The inheritance of economic status, intergenerational mobility and redistributive policy


26 February 12. Local externalities, peer effects and inequality


Essay on Inequality and Globalization, Harvard Business School Case No. 9-705-040 is due.

28 February 13. Inequality as an incentive

5 March 14. Wealth inequality

7 March 15. Health inequality


12 March 16. Income, earnings and wage inequality


14 March 17. Equivalence scales

-5-
19 March 18. Consumption inequality


21 March 19. Poverty


2 April 20. Children’s welfare


4 April 21. Satisfaction


9 April Midterm examination

IV. Evaluating inequality

11 April 22. Preferences for redistribution and feasible redistribution

16 April 23. Social welfare functions and societal choice

V. Discrimination and anti-discrimination policies

18 April 24. Race, ethnicity and the economics of identity

23 April 25. The discriminatory instinct

Essay on Chile: The Conundrum and Inequality, Harvard Business School Case No. 9-907-411, is due.

25 April 26. Discrimination in labor markets: Models, measurement and policy


30 April 27. Housing segregation and its progeny: School busing, Fair Housing and environmental racism


2 May 28. Discrimination in automobile and other markets
Yinger, John (1998) “Evidence on discrimination in consumer mar-

7 May Final examination 1:30p.m.-4:00p.m.

University policies:

The University adheres to the standards for student privacy rights and requirements as stipulated in the Federal Rights and Privacy Act (FERPA) of 1974.\(^2\) Campus policy regarding disabilities requires that faculty adhere to the recommendations of Disability Services. In addition, campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly accommodate all students who, because of religious obligations, have conflicts with scheduled examinations, assignments or required attendance. Any student eligible for and needing academic adjustments or accommodations because of disability or religious practice should arrange to meet with me immediately. Those with disabilities should immediately submit a letter from Disability Services describing appropriate adjustments or accommodations.\(^3\)

Students and faculty share responsibility for maintaining an appropriate learning environ-
ment. All are subject to the University’s polices on Sexual Harassment and Amorous Rela-
tionships.\(^4\) Students who fail to adhere to appropriate behavioral standards may be subject to discipline. Faculty have the professional responsibility to treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner


\(^3\) University polices regarding religious practice are available at http://www.colorado.edu/policies/fac_relig.html. University policies regarding disabilities are available at http://www.colorado.edu/disabilityservices. Disability Services can be contacted by telephone at 303-492-8671, or in person at Willard 322.

\(^4\) University polices regarding Sexual Harassment and Amorous Relationships are available at http://www.colorado.edu/odh/. The Office of Discrimination and Harassment can be reached by telephone at 303-492-2127. The Office of Judicial Affairs can be reached at 303-492-5550.
in which students express opinions. I am happy to discuss any issues of individual or group treatment in office hours or by appointment.

All students of the University of Colorado at Boulder are responsible for knowing and adhering to this institution’s policy regarding academic integrity. Cheating, plagiarism, fabrication, lying, bribery, threatening behavior and assistance to acts of academic dishonesty are examples of behaviors that violate this policy. Ordinarily, a student engaged in any act of academic dishonest will receive a failing grade for the course. In addition, all incidents of academic misconduct shall be reported to the Honor Code Council. Depending on its findings, students who are found to be in violation of the academic integrity policy will be subject to non-academic sanctions, including but not limited to university probation, suspension, or expulsion.

5 University policies regarding classroom behavior are available at http://www.colorado.edu/policies/classbehavior.html and at http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

6 The Honor Code Council website is at honor.colorado.edu. The Honor Code office can be contacted by email at honor@colorado.edu or by telephone at 303-735-2273. Additional information regarding the University Honor Code is available at http://www.colorado.edu/policies/honor.html.