

University of Colorado at Boulder
Department of Economics

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Economics 4626
Syllabus and Schedule
24 August 2005

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. With regard to macroeconomics, we discuss the relationship between inequality and growth, and the effects of different national institutions on this relationship. With regard to microeconomics, we discuss inequality in multiple dimensions and analyze the individual choices and economic contexts in which it arises. We complete this discussion with an examination of inequality that arises when disadvantages are imposed as a consequence of discrimination, and the economic contexts in which discrimination might take place.

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 9:30 a.m. until 10:45 a.m. throughout the semester in Economics 119. I will hold regular office hours between 11:00 a.m. and 12:00 p.m. on Tuesdays and between 2:00p.m. and 4:00p.m. on Thursdays in my office, Economics 111. Appointments can be made for meetings at other times, if these are inconvenient.

Performance in this course will be judged on the basis of four instruments. The final examination will take place on Tuesday, 13 December from 4:30p.m. until 7:00p.m. It will require the full 2.5 hours and be worth 150 points. Any student who has three final examinations scheduled on 13 December and wishes to reschedule the final examination in this course must meet with me immediately.¹

¹ University policies regarding multiple final examinations on the same day are available at www.colorado.edu/policies/final_exam.html.

One midterm examination, to take place on 11 October unless class progress deviates significantly from expectations, will be valued at 75 points. 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 by the second week of classes. 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.

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 15 September, unless class progress deviates significantly from expectations. It will be worth 25 points. The second paper is a five-page discussion of Inequality and the American Model, Harvard Business School Case No. 9-703-025. It will be due on 15 November, unless class progress deviates significantly from expectations. It will be worth 50 points.

Excuses for the four 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 a list of assigned readings. All articles in the Journal of Economic Perspectives through 2002 are available as .pdf files through the University Library's website, following this protocol:

1. Access the Library website at <http://ucblibraries.colorado.edu/>.
2. Click on "Chinook Library Catalogue".
3. Click on "Periodical Title".
4. Enter "journal of economic perspectives".
5. Click on "Access back issues via JSTOR".
6. Click on "Browse This Journal".
7. Locate the desired article.

Articles from the Journal of Economic Perspectives subsequent to 2001 are available as .pdf files through the University Library's website. Follow this same protocol, with the exception of clicking on "Connect to online journal via Ingenta" in step 5 and proceeding as directed by that website.

Follow this same protocol, with the exception of entering "american economic review" in order to locate the article assigned for lecture 24.

In order to obtain the paper assigned for lecture 13, follow this protocol:

1. Access the Levy Institute website at <http://www.levy.org>.
2. In the box entitled “Quick Search”, click on “All Working Papers”.
3. Click on the desired paper.

In order to obtain the paper assigned for lecture 20, follow this protocol:

1. Access the Levy Institute website at <http://www.levy.org>.
2. In the box entitled “Quick Search”, click on “All LIMEW Papers”.
3. Click on the desired paper.

The remaining article, that assigned for lecture 4, may be obtained from the course website, at <http://www.colorado.edu/Economics/Zax/Econ4626>. Additional readings may be assigned at my discretion.

Tentative schedule:

<u>Date</u>	<u>Lecture number</u>	<u>Lecture title, readings and assignments</u>
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I. The Measurement of Inequality

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| 23 August | 1. | Introduction |
| 25 August | 2. | Simple inequality measures and Lorenz curves |
| 30 August | 3. | Lorenz curves and Gini coefficients |

II. The Macroeconomics of Distribution

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| 1 September | 4. | Inequality and economic development

Lindert, Peter H. and Jeffrey G. Williamson (1985) “Growth, equality, and history”, <u>Explorations in Economic History</u> , Vol. 22, No. 4, October, 341-377. |
| 6 September | 5. | Institutions and inequality

Kuran, Timur (2004) “Why the Middle East is economically under-developed: Historical mechanisms of institutional stagnation”, <u>Journal of Economic Perspectives</u> , Vol. 18, No. 3, Summer, 71-90. |

8 September

6. Intertemporal inequality

Easterlin, Richard A. (2000) “The worldwide standard of living since 1800”, Journal of Economic Perspectives, Vol. 14, No. 1, Winter, 7-26.

Lee, Ronald (2003) “The demographic transition: Three centuries of fundamental change”, Journal of Economic Perspectives, Vol. 17, No. 4, Fall, 167-190.

13 September

7. Inter-country inequality

Pritchett, Lani (1997) “Divergence, big time”, Journal of Economic Perspectives, Vol. 11, No. 3, Summer, 3-17.

III. The Microeconomics of Distribution

15 September

8. Investments in human capital and the value of life

Card, David and Alan B. Krueger (1996) “School resources and student outcomes: An overview of the literature and new evidence from North and South Carolina”, Journal of Economic Perspectives, Vol. 10, No. 4, Fall, 31-50.

Hutchens, Robert M. (1989) “Seniority, wages and productivity: A turbulent decade”, Journal of Economic Perspectives, Vol. 3, No. 4, Fall, 49-64.

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

20 September

9. Intragenerational mobility

22 September

10. Intergenerational mobility and redistributive policy

Bowles, Samuel and Herbert Gintis (2002) “The inheritance of inequality”, Journal of Economic Perspectives, Vol. 16, No. 3, Summer, 3-30.

Grawe, Nathan D. and Casey Mulligan (2002) “Economic interpretations of intergenerational correlations”, Journal of Economic Perspectives, Vol. 16, No. 3, Summer, 45-58.

Solon, Gary (2002) "Cross-country differences in intergenerational earnings mobility", Journal of Economic Perspectives, Vol. 16, No. 3, Summer, 59-66.

27 September

11. Inequality and local externalities

Ostrom, Elinor (2000) "Collective action and the evolution of social norms", Journal of Economic Perspectives, Vol. 14, No. 3, Summer, 137-158.

29 September

12. Inequality as an incentive

4 October

13. Wealth inequality

Wolff, Edward N., (2004) Changes in Household Wealth in the 1980s and 1990s in the U.S., Levy Economics Institute Working Paper No. 407.

6 October

14. Health inequality

Smith, James P. (1999) "Healthy bodies and thick wallets: The dual relation between health and economic status", Journal of Economic Perspectives, Vol. 13, No. 2, Spring, 145-166.

Cutler, David M., Edward L. Glaeser and Jesse M. Shapiro (2003) "Why have Americans become more obese?", Journal of Economic Perspectives, Vol. 17, No. 3, Summer, 93-118.

11 October

Midterm examination

18 October

15. Income inequality

Gottschalk, Peter (1997) "Inequality, Income Growth, and Mobility: The Basic Facts", The Journal of Economic Perspectives, Vol. 11, No. 2, Spring, 21-40.

20 October

16. Equivalence scales

25 October

17. Consumption inequality

Jorgenson, Dale W. (1998) "Did we lose the war on poverty?", Journal of Economic Perspectives, Vol. 12, No. 1, Winter, 79-96.

27 October

18. Poverty

Blank, Rebecca M. (2000) "Fighting poverty: Lessons from recent U.S. history", Journal of Economic Perspectives, Vol. 14, No. 2, Spring, 3-19.

Besley, Timothy and Robin Burgess (2003) "Halving global poverty". Journal of Economic Perspectives, Vol. 17, No. 3, Summer, 3-22.

1 November

19. Children's welfare

Currie, Janet (2001) "Early childhood education programs", Journal of Economic Perspectives, Vol. 15, No. 2, Spring, 213-238.

3 November

20. Well-being

Wolff, Edward N., Ajit Zacharias and Asena Cane (2004) Levy Institute Measure of Economic Well-Being: Concept Measurement and Findings: United States, 1989 and 2000.

IV. Evaluating inequality

8 November

21. Attitudes towards inequality

10 November

22. Social welfare functions and societal choice

V. Discrimination and anti-discrimination policies

15 November

23. Introduction, race, ethnicity and identity

Essay on Inequality and the American model, Harvard Business School Case No. 9-703-025 is due.

17 November

24. Generic discrimination

Schelling, Thomas C. (1969) "Models of segregation", The American Economic Review, Vol. 59, No. 2, May, 488-493.

22 November

25. Discrimination in labor markets

29 November

26. Measuring labor market discrimination

Darity, William A. Jr. and Patrick L. Mason (1998) "Evidence on discrimination in employment: Codes of color, codes of gender", The Journal of Economic Perspectives, Vol. 12, No. 2, Spring, 63-90.

Heckman, James (1998) "Detecting discrimination", The Journal of Economic Perspectives, Vol. 12, No. 2, Spring, 101-116.

Blau, Francine D. and Lawrence M. Kahn (2000) "Gender differences in pay", Journal of Economic Perspectives, Vol. 14, No. 4, Fall, 25-46.

1 December 27. Slavery and child labor

6 December 28. Housing segregation, fair housing and environmental racism

Ladd, Helen F. (1998) "Evidence on discrimination in mortgage lending", Journal of Economic Perspectives, Vol. 12, No. 2, Spring, 41-62.

8 December 29. Discrimination in automobile and other markets

Yinger, John (1998) "Evidence on discrimination in consumer markets", Journal of Economic Perspectives, Vol. 12, No. 2, Spring, 23-40.

13 December Final examination 4:30a.m.-7:00p.m.

University policies:

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.²

² University policies regarding disabilities are available at www.colorado.edu/disabilityservices. Disability Services can be contacted by telephone at 303-492-8671, or in person at Willard 322. University policies regarding religious practice are available at www.colorado.edu/policies/fac_relig.html.

Students and faculty share responsibility for maintaining an appropriate learning environment. All are subject to the University's policies on Sexual Harassment and Amorous Relationships.³ 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 in which students express opinions.⁴ 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, assistance to acts of academic dishonesty, fabrication, lying, bribery, and threatening behavior are examples of behaviors that violate this policy. All incidents of academic misconduct shall be reported to the Honor Code Council. Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non-academic sanctions, including but not limited to university probation, suspension, or expulsion.⁵

³ University policies 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.

⁴ University policies regarding classroom behavior are available at www.colorado.edu/policies/classbehavior.html and at www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code

⁵ The Honor Code Council can be contacted by email at honor@colorado.edu or by telephone at 303-725-2273. Additional information regarding the University Honor Code is available at www.colorado.edu/policies/honor.html and at www.colorado.edu/academics/honorcode/