

University of Colorado at Boulder
Department of Economics

Prof. Jeffrey S. Zax
zax@colorado.edu
303-492-8268

<http://www.colorado.edu/Economics/Zax>

Economics 4626
Syllabus and Schedule
11 January 2006

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. We analyze the individual choices from which and economic contexts in which it arises. We complete this discussion with an examination of discrimination: inequality that 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 Mondays, Wednesdays and Fridays from 10:00 a.m. until 10:50 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 Mondays, Wednesdays and Fridays 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 five instruments. The final examination will take place on Monday, 8 May, 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 8 May 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 http://www.colorado.edu/policies/final_exam.html.

Two midterm examinations will each take 40 minutes, and be worth 40 points. They will take place on 10 February and 5 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.

The first term paper is a three-page discussion of American Outsourcing. Harvard Business School Case No. 9-705-037. It will be due on 27 February, unless class progress deviates significantly from expectations. It will be worth 20 points. The second paper is a five-page discussion of Mexico: The Unfinished Agenda. Harvard Business School Case No. 9-701-116. It will be due on 21 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 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 35. The remaining article, that assigned for lecture 5, may be obtained from webpage for this lecture on the course website:

<http://www.colorado.edu/Economics/Zax/Econ4626/spring06/webpages/econ4626.html>.
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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| 18 January | 1. | Introduction |
| 20 January | 2. | Simple inequality measures |
| 23 January | 3. | Lorenz curves |
| 25 January | 4. | Gini coefficients |

II. The Macroeconomics of Distribution

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| 27 January | 5. | The effects of growth on inequality

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. |
| 30 January | 6. | The effects of inequality on growth |
| 1 February | 7. | Institutions and inequality

Levine, Ross (2005) "Law, endowments and property rights", <u>Journal of Economic Perspectives</u> , Vol. 19, No. 3, Summer, 61-88. |
| 3 February | 8. | Corruption

Svensson, Jakob (2005) "Eight questions about corruption", <u>Journal of Economic Perspectives</u> , Vol. 19, No. 3, Summer, 19-42. |
| 6 February | 9. | Intertemporal inequality

Easterlin, Richard A. (2000) "The worldwide standard of living since 1800", <u>Journal of Economic Perspectives</u> , 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.

8 February 10. Inter-country inequality

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

10 February First midterm examination

III. The Microeconomics of Distribution

13 February 11 Investments in human capital: Schooling

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.

15 February 12. Investments in human capital: Training and experience

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

17 February 13. The value of life

20 February 14. Intragenerational mobility

22 February 15. The inheritance of economic status

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

24 February 16. Intergenerational mobility and redistributive policy

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 February 17. Inequality and local externalities
- Essay on American Outsourcing Harvard Business School Case No. 9-705-040 is due.
- 1 March 18. Peer effects
- 3 March 19. Inequality as an incentive
- 6 March 20. Wealth inequality
- 8 March 21. 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.
- 10 March 22. Income and earnings inequality
- Gottschalk, Peter (1997) “Inequality, Income Growth, and Mobility: The Basic Facts”, The Journal of Economic Perspectives, Vol. 11, No. 2, Spring, 21-40.
- 13 March 23. Wage inequality
- 15 March 24. Equivalence scales
- 17 March 25. Consumption inequality
- Jorgenson, Dale W. (1998) “Did we lose the war on poverty?”, Journal of Economic Perspectives, Vol. 12, No. 1, Winter, 79-96.
- 20 March 26. 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.

- 22 March 27. Children’s welfare
- Currie, Janet (2001) "Early childhood education programs", Journal of Economic Perspectives, Vol. 15, No. 2, Spring, 213-238.
- 24 March 28. Multidimensional inequality
- 3 April 29. Satisfaction
- 5 April Midterm examination

IV. Evaluating inequality

- 7 April 30. Preferences for redistribution
- 10 April 31. Feasible redistribution
- 12 April 32. Social welfare functions and societal choice

V. Discrimination and anti-discrimination policies

- 14 April 33. The economics of identity
- 17 April 34. Race and ethnicity
- 19 April 35. The discriminatory instinct
- Schelling, Thomas C. (1969) “Models of segregation”, The American Economic Review, Vol. 59, No. 2, May, 488-493.
- 21 April 36. Models of discrimination in labor markets
- Essay on Mexico: The Unfinished Agenda. Harvard Business School Case No. 9-701-116, is due.
- 24 April 37. 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.

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

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

26 April

38. Affirmative action

Fryer, Roland G. Jr. and Glenn C. Loury (2005) “Affirmative action and its mythology”, Journal of Economic Perspectives, Vol. 19, No. 3, Summer, 147-162.

28 April

39. Slavery and child labor

Edmonds, Eric V. and Nina Pavcnik (2005) “Child labor in the global economy”, The Journal of Economic Perspectives, Vol. 19, No. 1, Winter, 199-220.

1 May

40. Housing segregation

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

3 May

41. Treating the symptoms: Busing, Fair Housing and environmental racism

5 May

42. 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.

8 May

Final examination 4:30p.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

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

² 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. University policies regarding religious practice are available at http://www.colorado.edu/policies/fac_relig.html.

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 <http://www.colorado.edu/policies/classbehavior.html> and at http://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 <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>.