

Economics 4626- The Economics of Inequality and Discrimination
Fall 2003 MWF 1:00-1:50 Econ 119
<http://www.Colorado.EDU/Economics/econ4626>

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Office Hours

WF 11-12, and by appointment

Course Prerequisite

This class requires previous completion of Economics 3070, Intermediate Microeconomics, or the equivalent. This prerequisite is firm.

Textbook

Econ 4626: Economics of Poverty, Inequality and Discrimination. Thomson Learning.

This textbook contains chapters drawn from a labor economics text and two out-of-print poverty texts. There are no textbooks for this course currently in print, and even the out-of-print texts only provide partial (and somewhat outdated) coverage of the topics in this course. This textbook will provide additional support to students, particularly on some of the more technical material of the course. Be advised that this textbook is in no way an adequate substitute for course lectures.

Course Description

This course will cover topics in income inequality, discrimination and poverty and welfare programs. For each of these topics, we will first explore the “facts”, study the topic using economic analysis, and finally discuss current and proposed public policies. The outline below describes some of the material we will be covering this semester.

I. Income Inequality

The Facts: How do we measure income and well-being? How do we measure income inequality? What are the current income and wealth distributions for the U.S.? How has income inequality changed over time? How do income statistics vary by age, education, race/ethnicity and household composition?

Economic Analysis: How are wages determined? How have immigration, minimum wage legislation, unions, international trade and technological change affected the distribution of income? What economic arguments can be made for and against the redistribution of income?

Policies: What are the costs and benefits of policies designed to reduce income inequality? What policies might be used to increase demand for low-skilled workers? What would be the effect of policies designed to increase the supply of high-skilled workers?

II. Discrimination

The Facts: What is labor market discrimination? How do wages currently differ by gender, race and ethnicity? To what extent can these wage gaps be explained by factors other than discrimination? How have economists studied discrimination in various labor markets, such as those for professional athletes or musicians?

Economic Analysis: What are the economic models of discrimination? What are the implications of employer, employee and customer discrimination in a competitive market? What is statistical discrimination? What are the implications of market power or search costs in models of discrimination?

Policies: What are the major pieces of federal legislation addressing labor market discrimination? What is the impact of policies such as affirmative action, comparable worth, and mandatory parental leave?

III. Poverty and Welfare Programs

The Facts: How do we measure poverty? What are the liberal and conservative critiques of current U.S. poverty measures? Who is poor in the U.S.? What are the major federal welfare programs and how have they changed over time?

Economic Analysis: How do welfare programs affect labor supply decisions? What economic incentives have been provided by changes in the welfare programs over time? How can ethnographic studies of welfare mothers conducted by sociologists inform economic theories? What does economic theory have to say about increases in out-of-wedlock childbearing?

Policies: What were the key characteristics of the 1996 welfare reform bill? What policies have been proposed to address issues such as spatial mismatch? What are some of the current education policy proposals?

Course Structure

In-Class Exercises: In-class group exercises will be given frequently. These exercises will be used to promote discussion of the issues we cover and, most importantly, give students practice with the material in preparation for exams.

Attendance: Attendance is absolutely crucial to success in this class. This is a lecture-based, rather than textbook-based course. Student practice will take place through in-class exercises rather than homework. In order to re-enforce the importance of attendance, it will be factored into final grades. **Attendance will be taken regularly and any student missing more than 20% (nine) of the course's scheduled classes will receive a failing grade.** To be clear, these six absences are intended to cover both valid (illness, car breaking down) and invalid reasons for missing class. Excused absences will therefore not be granted. I reserve the right to record an absence for students who spend substantial class time on non-class activities (e.g. reading the paper).

Exams: Two midterms and a final. The final will be cumulative, but weighted towards the material since the second midterm. The first midterm is scheduled for Wed, Oct 1 (Please note that this *is* the Wednesday before Fall Break). The second midterm is scheduled for Mon, Nov 3. The University has scheduled the final exam for Tues, Dec 16 1:30-4:00.

Grades

Grades will be based on:

30% first midterm

30% second midterm

40% final exam

Actual letter grades will be based on a combination of each student's performance relative to others in the class and the performance I would expect from an intelligent and hardworking student.

Some Additional Notes/Policies

Material from a Missed Class: If you miss class, you are responsible for obtaining the material you missed. Class handouts and group exercises will be posted on the course web page. You should arrange to obtain notes from a classmate (in advance, if possible), not from the professor. I encourage you to come to my office hours to discuss the material you missed, but you must first obtain the notes and relevant handouts, go over the information for yourself, and prepare specific questions to ask me.

Missed Exams: Make-up exams will not be given. Exam absences will only be excused for compelling circumstances (generally family emergencies or documented illness), in which case the other exams will be re-weighted. Spring break plans affecting the second mid-term do not constitute compelling circumstances. Students anticipating conflict with an exam date due to religious observance or over-scheduling (3 or more exams on the same day) must bring these to my attention within the first 3 weeks of class.

Special Accommodations: Students with documented disabilities: who may need academic accommodations should speak with me during first two weeks of the class. Also contact the Disability Services Office, Willard 322 (phone 303-492-8671), so that such accommodations may be arranged.

Extra Credit Assignments: Are not given.

Class Start and End Times: I generally make sure that this class starts and ends on time. If you find that you are frequently late to class or find that I am frequently running over, first check to make sure your watch is set correctly: <http://www.timeanddate.com/worldclock/city.html?n=75>

Course Schedule

I. Income Inequality

Week 1 (Aug 25-29): Measuring Income and Well-Being

Textbook: "Income, Earnings and the Standard of Living", p.1-28 .

Week 2 (Sept 1-5): Measures of Inequality

Textbook: "Income Inequality: Its Measurement, . . ." p.38-53 and 59-72.

Week 3 (Sept 8-12): Introduction to Labor Markets

Textbook: "Hours of Work" p.164-183

"Labor Supply, Labor Demand and Human Capital" p.129-144

Week 4 (Sept 15-19): Explaining Increased Income Inequality in America

Reading: Snower, Dennis. 1998. "Causes of Increasing Earnings Inequality." *Inequality*, Symposium Volume of the Federal Reserve Bank of Kansas City, p.69-92.

Obtain on-line at <http://www.kc.frb.org/publicat/sympos/1998/sym98prg.htm>.

Week 5 (Sept 22-26): Income Inequality and Policy

Textbook: “Labor Supply, Labor Demand and Human Capital” p.145-161
“Normative and Positive Analysis” p.274-293 (omit appendix)

Week 6 (Sept 29-Oct 3): Midterm Week

First Midterm: Wed, Oct 1

II. Discrimination

Week 7 (Oct 6-10): Evidence of Discrimination

Reading: Turner, Fix and Struyk. 1991. *Opportunities Denied, Opportunities Diminished*. Urban Institute Report #91-9. p.1-66. (On E-Reserve thru Norlin)

Week 8 (Oct 13-17): Models of Discrimination

Textbook: “Discrimination in the Labor Market” p.218-45

Week 9 (Oct 20-24) Anti-Discrimination Policies

Textbook: “Discrimination in the Labor Market” p.250-71

Week 10 (Oct 27-31): Midterm Week

Second Midterm: Mon, Nov 3

III. Poverty and Welfare Programs

Week 11 (Nov 3-7): Defining Poverty

Textbook: “Poverty . . .”p.78-111

Week 12 (Nov 10-14): Welfare Programs and Welfare Reform

Textbook: “Hours of Work” p.183-190

Reading: “Point-Counterpoint: Perspectives on Welfare-Reform and Children” on-line at:
http://www.jcpr.org/newsletters/vol4_no4/index.html

Week 13 (Nov 17-21): Realities of Welfare and Work

Reading: Edin and Lein. 1997. *Making Ends Meet*. p 20-59 (On E-Reserve thru Norlin)

Week 14 (Nov 24-28): Topics: Single Moms, Health, Housing and Hunger

Week 15 (Dec 1-5): Education

Readings: Brookings Institution. 2000. *Vouchers and Charter Schools: The Latest Evidence*.
Online at <http://www.brook.edu/comm/transcripts/20000224.htm>

Week 16 (Dec 8-10) Wrap-Up