

Economics 4626- The Economics of Inequality and Discrimination
Fall 2006, MWF 9:00-9:50, EDUC 155
<http://www.Colorado.EDU/Economics/courses/mckinnis/econ4626>

Professor Terra G. McKinnish
Econ 115
303-492-6770
terra.mckinnish@colorado.edu
<http://spot.colorado.edu/~mckinnis>

Office Hours

MW 11:00-12:00, Th 10:00-11:00, 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are no textbooks for this course currently in print, and even the out-of-print texts only provide partial (and somewhat outdated) coverage of the topics in this course.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 study measurement and current statistical evidence, examine the issues using economic theory, and explore policy options. We will occasionally draw on material from psychology and sociology, reflecting the interdisciplinary nature of cutting-edge research on these topics.

Some of the topics we will cover include:

How do we measure income, poverty and well-being? How is wealth inequality different from income inequality? How likely is it that you end up rich if you are born poor? How do immigration and trade affect the income distribution? What does economic theory say about policies that take from the rich and give to the poor?

How can we prove and/or measure labor market discrimination? How do wages currently differ by gender, race and ethnicity, and 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? When will a free market reduce discrimination and when will it increase it? What is the impact of policies such as affirmative action, comparable worth, and mandatory parental leave?

Is the current poverty rate too high or too low? Why is it so hard to design effective welfare programs? Is it better to give things (food, housing) or cash? What is the standard of living of families living on welfare? Why are there so many single mothers? What is the relationship between poverty and health? How do public schools differ between rich and poor neighborhoods?

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% (3 weeks or 9 classes) of the course's scheduled classes will receive a failing grade.** To be clear, these nine 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 non-cumulative final exam. The first midterm is scheduled for Wed, Oct 4. The second midterm is scheduled for Wed, Nov 1. The University has scheduled the final exam for Wed, Dec 20, 7:30-10:00am

Grades

Grades will be based on:

1/3 first midterm

1/3 second midterm

1/3 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. 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 well in advance of the effected exam.

Special Accomodations: 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 Disruptions: Ringing cell phones and pets are not welcome in my class.

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 28-Sept 1): Measuring Income and Well-Being

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

Week 2 (Sept 6-8): Measures of Inequality

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

Week 3 (Sept 11-15): Wealth Inequality and Social Mobility

Week 4 (Sept 18-22): 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 25-29): Redistribution Policy and Education Policy

Textbook: "Labor Supply, Labor Demand and Human Capital" p.145-161

"Normative and Positive Analysis" p.274-293 (omit appendix)

Week 6 (Oct 2-6): Labor Demand and Midterm

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

First Midterm: Wed, Oct 4

II. Discrimination

Week 7 (Oct 9-13): Evidence of Discrimination

Week 8 (Oct 16-20): Models of Discrimination

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

Week 9 (Oct 23-27) Anti-Discrimination Policies

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

Week 10 (Oct 30-Nov 3): Policy and Midterm

Second Midterm: Wed, Nov 1

III. Poverty and Welfare Programs

Week 11 (Nov 6-10): Defining Poverty
Textbook: "Poverty . . ."p.78-111

Week 12 (Nov 13-17): Labor Supply and Welfare Programs
Textbook: "Hours of Work" p.164-190

Week 13: (Nov 20-24) Thanksgiving Week

Week 14 (Nov 27-Dec1): Welfare Reform, In-Kind Programs

Week 15 (Dec 4-8): Realities of Poverty: Childcare, Health, Housing

Week 16 (Dec 11-15): Education Policy

Final Exam: Wed, Dec 20 7:30-10:00 am