

**University of Colorado at Boulder**  
**Department of Economics**

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

**Economics 4626**  
**Syllabus and Schedule**  
**11 August 2008**

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 Mondays, Wednesdays and Fridays from 11:00 a.m. until 11:50 a.m. throughout the semester in Education 231. I will hold regular office hours between 2:00 p.m. and 3:30 p.m. on Mondays and Wednesdays in my office, Economics 111. 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, 16 December, from 10:30a.m. until 1:00p.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 16 December has the right to reschedule all exams following the first two. Any student wishing to invoke this right should do so prior to the Fall Break. However, given the

early hour of the final examination in this course, it is unlikely that anyone is eligible to reschedule this examination.<sup>1</sup>

Two midterm examinations will each take 40 minutes, and be worth 40 points. They will take place on 26 September and 5 November 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 should 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 if you have difficulty with this requirement.

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 10 October 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 21 November 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 "Chinook Library Catalog".
3. Click on "Find Journals/Serials".
4. Enter "journal of economic perspectives" in the "for" field.
5. Click on "Search for full-text in Business source complete".

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<sup>1</sup> University policies regarding multiple final examinations on the same day are available at [http://www.colorado.edu/policies/final\\_exam.html](http://www.colorado.edu/policies/final_exam.html).

6. Locate the desired article.

This source contains all articles in this journal through the spring edition of 2008, despite the indication at step 5 that its holdings end at July 24, 2006. The remaining article, that assigned for lecture 5, may be obtained from the webpage for this lecture on the course website:

<http://www.colorado.edu/Economics/Zax/Econ4626/fall08/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**

25 August	1.	Introduction
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27 August	2.	Simple inequality measures
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Banerjee, Abhijit and Esther Duflo (2008) “What is middle class about the middle classes around the world?”, Journal of Economic Perspectives, Vol. 22, No. 2, Spring, 3-28.

29 August	3.	Lorenz curves
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3 September	4.	Gini coefficients
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#### **II. The Macroeconomics of Distribution**

5, 8 September	5.	The effects of growth on inequality
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Lindert, Peter H. and Jeffrey G. Williamson (1985) “Growth, equality, and history”, Explorations in Economic History, Vol. 22, No. 4, October, 341-377.

10 September	6.	The effects of inequality on growth
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12 September	7.	Institutions and inequality
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Levine, Ross (2005) “Law, endowments and property rights”, Journal of Economic Perspectives, Vol. 19, No. 3, Summer, 61-88.

15 September	8.	Corruption
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Svensson, Jakob (2005) "Eight questions about corruption", Journal of Economic Perspectives, Vol. 19, No. 3, Summer, 19-42.

17 September

9. 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.

19 September

10. 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

22 September

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.

24 September

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.

26 September

First midterm examination

29 September

13. The value of life

1 October

14. Intragenerational mobility

3 October

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.

- 6 October 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.
- 8 October 17. Inequality and local externalities
- 10 October 18. Peer effects
- Essay on Inequality and Globalization, Harvard Business School Case No. 9-705-040 is due.
- 13 October 19. Inequality as an incentive
- 15 October 20. Wealth inequality
- 17 October 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.
- 20 October 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.
- Piketty, Thomas and Emmanuel Saez (2007) “How progressive is the U.S. federal tax system? A historical and international perspective”, The Journal of Economic Perspectives, Vol. 21, No. 1, Winter, 3-24.
- 22 October 23. Wage inequality
- 24 October 24. Equivalence scales

- 27 October 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.
- 29 October 26. Poverty
- Hoynes, Hilary W., Page, Marianne E. and Ann Huff, (2006) "Poverty in America: Trends and explanations", The Journal of Economic Perspectives, Vol. 20, No. 1, Winter, 47-68.
- Smeeding, Timothy (2006) "Poor people in rich nations: The United States in comparative perspective", The Journal of Economic Perspectives, Vol. 20, No. 1, Winter, 69-90.
- 31 October 27. Children's welfare
- Currie, Janet (2001) "Early childhood education programs", Journal of Economic Perspectives, Vol. 15, No. 2, Spring, 213-238.
- 3 November 28. Satisfaction
- Kahneman, Daniel and Alan B. Krueger (2006) "Developments in the measurement of subjective well-being", The Journal of Economic Perspectives, Vol. 20, No. 1, Winter, 3-24.
- Di Tella, Rafael and Robert MacCulloch (2006) "Some uses of happiness data in economics", The Journal of Economic Perspectives, Vol. 20, No. 1, Winter, 25-46.
- 5 November Midterm examination

#### **IV. Evaluating inequality**

- 7 November 29. Preferences for redistribution
- 10 November 30. Feasible redistribution
- 12 November 31. Social welfare functions and societal choice

#### **V. Discrimination and anti-discrimination policies**

- 14 November 32. The economics of identity

- 17 November 33. Race and ethnicity
- 19 November 34. The discriminatory instinct
- 21 November 35. Models of discrimination in labor markets
- Essay on Chile: The Conundrum of Inequality, Harvard Business School Case No. 9-907-411, is due.
- 1 December 36. 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.
- 3 December 37. 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.
- 5 December 38. 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.
- 8 December 39. Housing segregation
- Ladd, Helen F. (1998) "Evidence on discrimination in mortgage lending", Journal of Economic Perspectives, Vol. 12, No. 2, Spring, 41-62.
- 10 December 40. Treating the symptoms: Busing, Fair Housing and environmental racism
- 12 December 41. 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.

16 December

Final examination 10:30a.m.-1:00p.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.<sup>2</sup> 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.<sup>3</sup>

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.<sup>4</sup> 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.<sup>5</sup> 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

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<sup>2</sup> A summary is available at [http://registrar.colorado.edu/regulations/ferpa\\_guide.html](http://registrar.colorado.edu/regulations/ferpa_guide.html).

<sup>3</sup> University policies regarding religious practice are available at [http://www.colorado.edu/policies/fac\\_relig.html](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.

<sup>4</sup> 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.

<sup>5</sup> 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](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)



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.<sup>6</sup>

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<sup>6</sup> The Honor Code Council can be contacted by email at [honor@colorado.edu](mailto: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/>.