

University of Colorado at Boulder
Department of Economics

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

Economics 4626
Syllabus and Schedule
9 January 2009

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 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 1:00 p.m. and 2:00 p.m. and between 3:30 p.m. and 4:00 p.m. on Tuesdays and Thursdays in Economics 111, my office. 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 Saturday, 2 May, from 4:30 p.m. until 7:00p.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 2 May has the right to reschedule all exams following the first two. Any student wishing to invoke this right must do so by 20 February.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 7 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. These papers must 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 **in advance** if you anticipate difficulty with this requirement. **Only .pdf files will be accepted.**

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 24 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 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.
- 5a. For articles published prior to 2002, click on "Search for full-text in Business source complete".
- 5b. For articles published in 2002 or later, click on "Full-text in Atypon Link"
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

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| 13 January | 1. Introduction |
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| 15 January | 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.

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| 20 January | 3. Lorenz curves and Gini coefficients |
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II. The Macroeconomics of Distribution

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| 22 January | 4. 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.

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| 27 January | 5. The effects of inequality on growth |
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| 29 January | 6. 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.

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

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| 3 February | 7. Intertemporal inequality |
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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.

5 February

8. Inter-country inequality

Pritchett, Lant (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

12 February

9. Investments in human capital: Schooling, training, experience 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.

17 February

10. Intragenerational mobility

19 February

11. The inheritance of economic status, 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.

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| 24 February | <p>12. Local externalities, peer effects and inequality</p> <p>Kremer, Michael and Dan Levy (2008) “Peer effects and alcohol use among college students”, <u>Journal of Economic Perspectives</u>, Vol. 22, No. 3, Summer, 189-206.</p> <p>Essay on <u>American Outsourcing</u> Harvard Business School Case No. 9-705-040 is due.</p> |
| 26 February | <p>13. Inequality as an incentive</p> |
| 3 March | <p>14. Wealth inequality</p> |
| 5 March | <p>15. Health inequality</p> <p>Smith, James P. (1999) “Healthy bodies and thick wallets: The dual relation between health and economic status”, <u>Journal of Economic Perspectives</u>, Vol. 13, No. 2, Spring, 145-166.</p> <p>Cutler, David M., Edward L. Glaeser and Jesse M. Shapiro (2003) “Why have Americans become more obese?”, <u>Journal of Economic Perspectives</u>, Vol. 17, No. 3, Summer, 93-118.</p> |
| 10 March | <p>16. Income, earnings and wage inequality</p> <p>Gottschalk, Peter (1997) “Inequality, Income Growth, and Mobility: The Basic Facts”, <u>The Journal of Economic Perspectives</u>, Vol. 11, No. 2, Spring, 21-40.</p> <p>Piketty, Thomas and Emmanuel Saez (2007) “How progressive is the U.S. federal tax system? A historical and international perspective”, <u>The Journal of Economic Perspectives</u>, Vol. 21, No. 1, Winter, 3-24.</p> |
| 12 March | <p>17. Equivalence scales</p> |
| 17 March | <p>18. Consumption inequality</p> <p>Jorgenson, Dale W. (1998) “Did we lose the war on poverty?”, <u>Journal of Economic Perspectives</u>, Vol. 12, No. 1, Winter, 79-96.</p> |
| 19 March | <p>19. Poverty</p> <p>Hoynes, Hilary W., Page, Marianne E. and Ann Huff, (2006) “Poverty in America: Trends and explanations”, <u>The Journal of Economic Perspectives</u>, Vol. 20, No. 1, Winter, 47-68.</p> |

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 March

20. Children's welfare

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

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.

2 April

21. 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.

7 April

Midterm examination

IV. Evaluating inequality

9 April

22. Preferences for redistribution and feasible redistribution

14 April

23. Social welfare functions and societal choice

V. Discrimination and anti-discrimination policies

16 April

24. Race, ethnicity and the economics of identity

21 April

25. The discriminatory instinct

Essay on Mexico: The Unfinished Agenda. Harvard Business School Case No. 9-701-116, is due.

23 April

26. Discrimination in labor markets: Models, measurement and policy

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.

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.

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| 28 April | 27. Housing segregation and its progeny: School busing, Fair Housing and environmental racism |
| | Ladd, Helen F. (1998) "Evidence on discrimination in mortgage lending", <u>Journal of Economic Perspectives</u> , Vol. 12, No. 2, Spring, 41-62. |
| 30 April | 28. Discrimination in automobile and other markets |
| | Yinger, John (1998) "Evidence on discrimination in consumer markets", <u>Journal of Economic Perspectives</u> , Vol. 12, No. 2, Spring, 23-40. |
| 2 May | Final examination 4:30p.m.-7:00p.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 1974.² 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

² A summary is available at http://registrar.colorado.edu/regulations/ferpa_guide.html.

should arrange to meet with me immediately. Those with disabilities should immediately submit a letter from Disability Services describing appropriate adjustments or accommodations.³

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.⁴ 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.⁵ 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, fabrication, lying, bribery, threatening behavior and assistance to acts of academic dishonesty are examples of behaviors that violate this policy. Ordinarily, a student engaged in any act of academic dishonesty will receive a failing grade for the course. In addition, all incidents of academic misconduct shall be reported to the Honor Code Council. Depending on its findings, students who are found to be in violation of the academic integrity policy will be subject to non-academic sanctions, including but not limited to university probation, suspension, or expulsion.⁶

³ University policies regarding religious practice are available at 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.

⁴ 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.

⁵ 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

⁶ 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/>.