

**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 2010**

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 inequality 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 10:00 a.m. until 10:50 a.m. throughout the semester in Education 155. I will hold regular office hours between 1:00 p.m. and 1:50 p.m. on Mondays, Wednesdays and Fridays 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 six instruments. The final examination will take place on Saturday, 1 May, from 1:30 p.m. until 4:00p.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 19 February.<sup>1</sup>

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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).

Two midterm examinations will each take 40 minutes, and be worth 40 points. They will take place on 12 February and 31 March 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 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 Inequality and Globalization, Harvard Business School Case No. 9-705-040. It will be due on 26 February 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 16 April unless class progress deviates significantly from expectations. It will be worth 50 points.

Five short essays, each limited to 250 words, will also be required during the semester. Each of these essays will summarize the most important themes from one of our readings. These essays will be due on dates to be determined. Each will be worth 10 points. Once again, only .pdf files will be accepted.

Excuses for the 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 350 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. Select "Title" in the first field.
3. Enter "journal of economic perspectives" in the second field and search.
4. Click on "Journal of economic perspectives (Online)".
- 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/spring10/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**

11 January	1. Introduction
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13 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.

15 January	3. Lorenz curves
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20 January	4. Gini coefficients
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#### **II. The Macroeconomics of Distribution**

22, 25 January	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.

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

- 1 February            8. Corruption
- Svensson, Jakob (2005) “Eight questions about corruption”, Journal of Economic Perspectives, Vol. 19, No. 3, Summer, 19-42.
- 3 February            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.
- 5 February            10. Inter-country inequality
- Pritchett, Lant (1997) “Divergence, big time”, Journal of Economic Perspectives, Vol. 11, No. 3, Summer, 3-17.

### **III. The Microeconomics of Distribution**

- 8 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.
- 10 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.
- 12 February            First midterm examination
- 15 February           13. The value of life
- 17 February           14. Intragenerational mobility
- 19 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.

22 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.

24 February

17. Inequality and local externalities

26 February

18. Peer effects

Essay on Inequality and Globalization, Harvard Business School Case No. 9-705-040, is due.

1 March

19. Inequality as an incentive

3 March

20. Wealth inequality

5 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.

Peltzman, Sam (2003) “Mortality inequality”, Journal of Economic Perspectives, Vol. 23, No. 4, Fall, 175-190.

8 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.

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.

10 March

23. Wage inequality

- 12 March            24. Equivalence scales
- 15 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.
- 17 March            26. Poverty
- Broda, Christian, Ephraim Leibtag and David E. Weinstein, (2009) "The role of prices in measuring the poor's living standards", The Journal of Economic Perspectives, Vol. 23, No. 2, Spring, 77-97.
- 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.
- 19 March            27. Children's welfare
- Currie, Janet (2001) "Early childhood education programs", Journal of Economic Perspectives, Vol. 15, No. 2, Spring, 213-238.
- 29 March            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.
- Guriev, Sergei and Ekaterina Zhuravskaya (2009) "(Un)Happiness in transition", The Journal of Economic Perspectives, Vol. 23 No. 2, Spring, 143-168.
- 31 March            Midterm examination

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

- 2 April              29. Preferences for redistribution
- 5 April              30. Feasible redistribution
- 7 April              31. Social welfare functions and societal choice

## V. Discrimination and anti-discrimination policies

- 9 April 32. The economics of identity
- 12 April 33. Race and ethnicity
- 14 April 34. The discriminatory instinct
- 16 April 35. Models of discrimination in labor markets
- Essay on Chile: The Conundrum of Inequality, Harvard Business School Case No. 9-907-411, is due,
- 19 April 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.
- 21 April 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.
- 23 April 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.
- 26 April 39. Housing segregation
- Ladd, Helen F. (1998) "Evidence on discrimination in mortgage lending", Journal of Economic Perspectives, Vol. 12, No. 2, Spring, 41-62.

- 28 April                    40. Treating the symptoms: Busing, Fair Housing and environmental racism
- 30 April                    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.
- 1 May                        Final examination 1:30p.m.-4:00p.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

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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.



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, 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.<sup>6</sup>

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<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)

<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/>.