

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

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**Economics 4626**  
**Syllabus and schedule**  
**30 December 2018**

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 levels. 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 that 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. Anyone uncertain with regard to their preparation should consult with me immediately.

This course will meet on Tuesdays and Thursdays from 12:30 p.m. until 1:45 p.m. throughout the semester in Economics 119. You should expect to attend every class. I will drop any student who is enrolled at the beginning of the semester and who misses any of the first three classes, on 15, 17 and 22 January. I will hold regular office hours between 2:00 p.m. and 4:00 p.m. on Tuesdays and between 2:00pm. and 3:00p.m. on Thursdays in Economics 111, my office. Appointments may be made for meetings at other times, if these are inconvenient. Course information will be posted on Desire2Learn, as needed. Notifications will be posted there as well, and sent via campus email. It is your responsibility to monitor both.

**Course requirements:**

Performance in this course will be judged on the basis of five instruments. The first three instruments are examinations. They will ordinarily consist of short essay questions addressing the material in lectures and readings. They may also include short computational exercises.

The final examination will take place on Saturday, 4 May, from 1:30 p.m. until 4:00 p.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 4 May has the right to reschedule all exams following the first two. Any student wishing to invoke this right must do so by 22 March.<sup>1</sup>

Two midterm examinations will each take 40 minutes, and be worth 40 points. They will take place on 12 February and 9 April unless class progress deviates significantly from expectations.

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. 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 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 23 April unless class progress deviates significantly from expectations. It will be worth 50 points. Both cases must be purchased at <http://cb.hbsp.harvard.edu/cbmp/access/72940108>. You will need to register at the website in order to obtain access. It will provide you with pdf copies of the cases which you can save and print. The cases each cost \$4.25.

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 that 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. Students who do not intend to attend all lectures should not enroll in this course. During lectures, electronic devices such as laptops and cell phones may be used only for course purposes. Improper use may be penalized by dismissal from the lecture, grade penalties or both.

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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-examination-policy>.

The tentative schedule of lectures below also includes the list of assigned readings. All articles are from the Journal of Economic Perspectives. They are available as .pdf files through the University Library's website. From any University computer, follow this protocol:

1. Access the Library website at <https://www.colorado.edu/libraries/>.
2. Click on "E-Journals" just below "OneSearch".
3. Search for "Journal of Economic Perspectives".
4. Click on "Journal of Economic Perspectives".
5. Click on "Select Year".
6. Locate the desired article.

For articles published prior to 2005, proceed through step 4 above and then continue:

5. Click on "ALL"
6. Click on "Summer 1987 to Present in American Economic Association journals".
7. Log in to Libraries Proxy Server.
8. Click on "View Past Issues".
9. Locate the desired article.

Additional readings may be assigned at my discretion.

### Tentative course schedule:

Date	Lecture number	Lecture title, readings and assignments
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#### I. The Measurement of Inequality

15 January	1.	Introduction
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17 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.

22 January	3.	Lorenz curves and Gini coefficients
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#### II. The Macroeconomics of Distribution

24 January	4.	The effects of growth on inequality
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Autor, David (2015) "Why are there still so many jobs? The history and future of workplace automation", Journal of Economic Perspectives, Vol. 29, No. 3, Summer, 3-30.

29 January 5. The effects of inequality on growth

31 January 6. Institutions and inequality

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.

5 February 7. 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.

7 February 8. Inter-country inequality

Pritchett, Lant (1997) "Divergence, big time", Journal of Economic Perspectives, Vol. 11, No. 3, Summer, 3-17.

12 February First midterm examination

### III. The Microeconomics of Distribution

14 February 9. Investments in human capital: Schooling, training, experience and the value of life

Cullen, Julie Berry, Steven D. Levitt, Erin Robertson and Sally Sadoff (2013) "What can be done to improve struggling high schools?", Journal of Economic Perspectives, Vol. 27, No. 2, Spring, 133-152.

19 February 10. Inequality as an incentive

21 February 11. Local externalities, peer effects and inequality

Kremer, Michael and Dan Levy (2008) "Peer effects and alcohol use among college students", Journal of Economic Perspectives, Vol. 22, No. 3, Summer, 189-206.

- 26 February      12. Intragenerational mobility
- Essay on Angola and the Resource Curse, Harvard Business School Case No. 9-711-016 is due.
- 28 February      13. The inheritance of economic status, intergenerational mobility and redistributive policy
- Corak, Miles (2013) "Income inequality, equality of opportunity, and intergenerational mobility", Journal of Economic Perspectives, Vol. 27, No. 3, Summer, 79-102.
- 5 March            14. Wealth inequality
- Kopczuk, Wojciech (2015) "What do we know about the evolution of top wealth shares in the United States", Journal of Economic Perspectives, Vol. 29, No. 1, Winter, 47-66.
- 7 March            15. Health inequality
- Currie, Janet and Hannes Schwandt (2016) "Mortality inequality: The good news from a county-level approach", Journal of Economic Perspectives, Vol. 30, No. 2, Spring, 29-52.
- 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.
- 12 March          16. Income, earnings and wage inequality
- Acemoglu, Daron and James A. Robinson (2015) "The rise and decline of the general laws of capitalism", Journal of Economic Perspectives, Vol. 29, No. 1, Winter, 3-28.
- Piketty, Thomas and Emmanuel Saez (2007) "How progressive is the U.S. federal tax system? A historical and international perspective", Journal of Economic Perspectives, Vol. 21, No. 1, Winter, 3-24.
- 14 March          17. Equivalence scales

- Lundberg, Shelly, Robert A. Pollak and Jenna Stearns (2016) "Family inequality: Diverging patterns in marriage, cohabitation, and childbearing", Journal of Economic Perspectives, Vol. 30, No. 2, Spring, 79-102.
- 19 March 18. Consumption inequality
- Attanasio, Orazio P. And Luigi Pistaferri (2016) "Consumption inequality", Journal of Economic Perspectives, Vol. 30, No. 2, Spring, 3-28.
- 21 March 19. Poverty
- Hoynes, Hilary W., Marianne E. Page and Ann Huff, (2006) "Poverty in America: Trends and explanations", Journal of Economic Perspectives, Vol. 20, No. 1, Winter, 47-68.
- Page, Lucy and Rohini Pande (2018) "Ending global poverty: Why money isn't enough", Journal of Economic Perspectives, Vol. 32, No. 4, Fall, 173-200.
- 2 April 20. Children's welfare
- Duncan, Greg J. and Katherine Magnuson (2013) "Investing in preschool programs", Journal of Economic Perspectives, Vol. 27, No. 2, Spring, 109-132.
- Edmonds, Eric V. and Nina Pavcnik (2005) "Child labor in the global economy", Journal of Economic Perspectives, Vol. 19, No. 1, Winter, 199-220.
- 4 April 21. Well-being
- Kahneman, Daniel and Alan B. Krueger (2006) "Developments in the measurement of subjective well-being", Journal of Economic Perspectives, Vol. 20, No. 1, Winter, 3-24.
- Deaton, Angus (2008) "Income, health, and well-being around the world: Evidence from the Gallup poll", Journal of Economic Perspectives, Vol. 22, No. 2, Spring, 53-72.
- 9 April Midterm examination

#### IV. Evaluating inequality

- 11 April                    22. Social welfare functions and societal choice
- 16 April                    23. Preferences for redistribution and feasible redistribution
- Diamond, Peter and Emmanuel Saez (2011) "The case for a progressive tax: From basic research to policy recommendations", Journal of Economic Perspectives, Vol. 25, No. 4, Fall, 165-190.
- Bonica, Adam, Nolan McCarty, Keith T. Poole and Howard Rosenthal (2013) "Why hasn't democracy slowed rising inequality?", Journal of Economic Perspectives, Vol. 27, No. 3, Summer, 103-124.

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

- 18 April                    24. Race, ethnicity and the economics of identity
- 23 April                    25. The discriminatory instinct
- Essay on Inequality in Brazil, Harvard Business School Case No. 9-711-086, is due.
- 25 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", 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", 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.
- 30 April                    27. Housing segregation and its progeny: School busing, Fair Housing and environmental racism

Ladd, Helen F. (1998) "Evidence on discrimination in mortgage lending", Journal of Economic Perspectives, Vol. 12, No. 2, Spring, 41-62.

- 2 May                      28. Discrimination in automobile and other markets
- 4 May                      Final examination 1:30p.m.-4:00p.m.

### Required statement of University policies

**Accommodation for Disabilities:** If you qualify for accommodations because of a disability, please submit your accommodation letter from Disability Services to your faculty member in a timely manner so that your needs can be addressed. Disability Services determines accommodations based on documented disabilities in the academic environment. Information on requesting accommodations is located on the [Disability Services website](#). Contact Disability Services at 303-492-8671 or [dsinfo@colorado.edu](mailto:dsinfo@colorado.edu) for further assistance. If you have a temporary medical condition or injury, see [Temporary Medical Conditions](#) under the Students tab on the Disability Services website.

**Classroom Behavior:** Students and faculty each have responsibility for maintaining an appropriate learning environment. Those who fail to adhere to such behavioral standards may be subject to discipline. Professional courtesy and sensitivity are especially important with respect to individuals and topics dealing with race, color, national origin, sex, pregnancy, age, disability, creed, religion, sexual orientation, gender identity, gender expression, veteran status, political affiliation or political philosophy. Class rosters are provided to the instructor with the student's legal name. I will gladly honor your request to address you by an alternate name or gender pronoun. Please advise me of this preference early in the semester so that I may make appropriate changes to my records. For more information, see the policies on [classroom behavior](#) and the [Student Code of Conduct](#).

**Honor Code:** All students enrolled in a University of Colorado Boulder course are responsible for knowing and adhering to the Honor Code. Violations of the policy may include: plagiarism, cheating, fabrication, lying, bribery, threat, unauthorized access to academic materials, clicker fraud, submitting the same or similar work in more than one course without permission from all course instructors involved, and aiding academic dishonesty. All incidents of academic misconduct will be reported to the Honor Code ([honor@colorado.edu](mailto:honor@colorado.edu)); 303-492-5550). Students who are found responsible for violating the academic integrity policy will be subject to nonacademic sanctions from the Honor Code as well as academic sanctions from the faculty member. Additional information regarding the Honor Code academic integrity policy can be found at the [Honor Code Office website](#).



**Sexual Misconduct, Discrimination, Harassment and/or Related Retaliation:** The University of Colorado Boulder (CU Boulder) is committed to fostering a positive and welcoming learning, working, and living environment. CU Boulder will not tolerate acts of sexual misconduct (including sexual assault, exploitation, harassment, dating or domestic violence, and stalking), discrimination, and harassment by members of our community. Individuals who believe they have been subject to misconduct or retaliatory actions for reporting a concern should contact the Office of Institutional Equity and Compliance (OIEC) at 303-492-2127 or [cureport@colorado.edu](mailto:cureport@colorado.edu). Information about the OIEC, university policies, [anonymous reporting](#), and the campus resources can be found on the [OIEC website](#).

Please know that faculty and instructors have a responsibility to inform OIEC when made aware of incidents of sexual misconduct, discrimination, harassment and/or related retaliation, to ensure that individuals impacted receive information about options for reporting and support resources.

**Religious Holidays:** Campus policy regarding religious observances requires that faculty make every effort to deal reasonably and fairly with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. In this class, meet with me as soon as possible to discuss any appropriate accommodations. See the [campus policy regarding religious observances](#) for full details.

### **Additional policy statements**

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>

I am happy to discuss any issues of individual or group treatment in office hours or by appointment.

Ordinarily, a student engaged in any act of academic dishonest will receive a failing grade for the course.

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<sup>2</sup> A description is available at <http://www.colorado.edu/registrar/resources/family-educational-rights-and-privacy-act-ferpa>.