

University of Colorado at Boulder
Department of Economics

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Economics 4626
Tentative syllabus and Schedule
17 November 2012

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 12:30 p.m. until 1:45 p.m. throughout the semester in Humanities 1B90. I will hold regular office hours between 2:00 p.m. and 4:00 p.m. on Tuesdays and between 11:00a.m. and 12:00p.m. on 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 Tuesday, 7 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 7 May has the right to reschedule all exams following the first two. Any student wishing to invoke this right must do so by 27 February.¹

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. 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 physi

3. Search by "Title".
4. Enter "journal of economic perspectives" in the adjacent field.
5. Click on "Journal of Economic Perspectives (Online)".
6. Click on "Full-text available from AEA".
7. Locate the desired article.

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

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 c Pers

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

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, Winter, 1-16.

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.

26 February

12. 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.

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

28 February

13. Inequality as an incentive

5 March

14. Wealth inequality

7 March

15. 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.

12 March

16. Income, earnings and wage inequality

Gottschalk, Peter (1997) "Inequality, Income Growth, and Mobility: The Basic Facts", 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", Journal of Economic Perspectives, Vol. 21, No. 1, Winter, 3-24.

14 March

17. Equivalence scales

- 19 March 18. Consumption inequality
- Jorgenson, Dale W. (1998) "Did we lose the war on poverty?", Journal of Economic Perspectives, Vol. 12, No. 1, Winter, 79-96.
- 21 March 19. Poverty
- Hoynes, Hilary W., Page, Marianne E. and Ann Huff, (2006) "Poverty in America: Trends and explanations", 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", Journal of Economic Perspectives, Vol. 20, No. 1, Winter, 69-90.
- 2 April 20. Children's welfare
- Currie, Janet (2001) "Early childhood _____

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.

16 April

23. Social welfare functions and social preferences, 165-19

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

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 website is at