

**University of Waterloo**  
**Department of Economics**  
**Econ 363**  
**Contemporary Canadian Problems**  
**Fall 2014**  
**Class Hours, Classroom**

**Instructor and T.A. Information**

Instructor: Ana Ferrer  
Office: HH 219  
Office Phone: 888-4567, ext. 38771  
Office Hours: Wednesdays 10:30 -11:30  
Email: aferrer@uwaterloo.ca  
Extra information on contacting the instructor.

T.A.	T.A. 1 Name	T.A. 2 Name	T.A. 3 Name	T.A. 4 Name
Email	T.A. 1 Email	T.A. 2 Email	T.A. 3 Email	T.A. 4 Email
Office	T.A. 1 Office	T.A. 2 Office	T.A. 3 Office	T.A. 4 Office
Office Hours	T.A. 1 Hours	T.A. 2 Hours	T.A. 3 Hours	T.A. 4 Hour

**Course Description**

This course will use the tools of economic analysis to contribute to our understanding of various social problems in developed economies with a focus on Canadian issues. Using the rational agent model, we will explore how individuals behave in a social context and how and when this behaviour may lead to social problems such as income inequality and poverty, discrimination, crime, and institutional instability. The course will also introduce you to the evaluation of policies commonly proposed to deal with these. There will be some emphasis on the workings of labour markets as it relates to a wide range of contemporary social problems, such as unemployment, inequality, poverty, discrimination, etc...

**Text books and learning material**

There is no text book for the course. I will teach primarily using notes, articles from peer reviewed academic journals and other reading materials. In addition, the following books will be useful when dealing with the more technical sections of the course. These are not mandatory text books:

- Helmar Drost and Richard Hird. An Introduction to the Canadian Labor Market , 2nd Edition. (Thomson and Nelson)
- D. Benjamin, M. Gunderson, and C. Riddell. Labor Market Economics . McGraw Hill (any edition is fine. You won't need the latest one, although all references to this book in the outline below will refer to the 6th edition)

For those of you more interested in a sociological approach, the following book could be of interest. However, we will NOT follow their methodology:

- Teeperman, Curtis & Kwan, Social Problems. A Canadian Perspective, Oxford

These are books you may want to consult if you want to go deeper into a particular issue of your interest.

- Debraj Ray, *Development Economics*, Princeton University Press, 1998
- Schiller, *Economics of Poverty and Discrimination*, Prentice Hall
- Miller, Benjamin and North, *The Economics of Public Issues*, Norton.
- Sharp, et al., *Economics of Social Issues*, Irwin/McGraw Hill, latest edition
- Becker & Becker, *The Economics of Life*, McGraw Hill
- Lowenstein & Elster, *Choice over Time*, Sage.
- Aaron, *Behavioral Dimension of Retirement Economics*, Russell Sage, 2000
- Blau et al, *Economics of Women, Men & Work*, Prentice Hall
- Hoffman and Averett, *Women and the Economy*, Pearson Addison Wesley
- Frank, *Economics & Behavior*, McGraw Hill
- De Soto, *The Other Path*

### Readings Available on LEARN

Please consult

### Course Requirements and Assessment

The course will be taught through calculus techniques at the ECON 211 level and econometric methods typically encountered in ECON 321. And in this context, multivariate regression analysis will be an important part of class discussions. However, no prior knowledge of calculus or ECON 321 is necessary, as I will review appropriate concepts in class.

I do not respond to emails asking questions on material taught in class. I am more than happy to spend time explaining and clarifying concepts during office hours or by appointment;

<b>Assessment</b>	<b>Date of Evaluation (if known)</b>	<b>Weighting</b>
Problem Sets (2)	Consult Waterloo Learn	20
Class Participation	Consult Waterloo Learn	10
Midterm 1	Monday, October 6	25
Midterm 2	Monday, November 3	20
Midterm 2	Monday, December 1	25
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Total		100%

### Problem Sets

The assignments may be done in groups of two to three students. You are free to discuss and attempt to solve assignment problems by consulting other groups. However, each group should submit a common answers that is expected to accurately reflect the group's thought and effort. Copying solutions across groups is not permitted.

### Class Participation

Class participation is an important part of your learning experience. You should read the assigned material in advance in order to contribute to in-class discussions, quizzes and public forums. Most of the

questions that will come up in class or the forums have no clear cut response. Therefore, the point of the discussion is not to find the “right” answer but to be able to provide economic arguments to support your own view

### **Midterm and Final**

Students who are unable to take the midterm on the set date and do not have a valid medical certificate will be assigned a mark of ‘0’. Those with a valid excuse will have the weight assigned to the midterm, transferred to their final exam. There is no make-up test for missing the midterm. To clarify, I do not schedule separate test or exam dates in order to accommodate individual specific problems.

Neither the instructor nor the Department of Economics will respond to student enquiries regarding test marks or final grades.

### **Course Outline**

#### **1. Introduction**

(class notes)

- *Analytical and empirical tools: Constrained Utility Maximization, Decision Theory; Multivariate Regression Analysis*
- *Recent Facts about Poverty and Inequality. How do we measure Inequality and Poverty?*

#### **2. A Neoclassical Economic Model for the Determination of Income**

(Benjamin, Gunderson, and Riddell, chapters 2 and 3 in 6<sup>th</sup> edition and online readings)

- *The Determination of Income: A Model of Labour Markets.* This section develops a model of the leisure-work choice of individuals. It will provide a conceptual framework to analyze the determination of wages and employment
- *The Effects of Income Maintenance Schemes.* We will use this conceptual framework to review the effect on employment of government interventions that influence either income or wages, like welfare payments, unemployment insurance or wage subsidies
- *Wage Differentials: Education, Unions, Minimum Wages.* We will further analyze different sources of wage differentials

#### **3. Discrimination**

(Benjamin, Gunderson, and Riddell, chapter 12 in 6<sup>th</sup> edition)

- *Economic Discrimination.* We will use an empirical model to learn how to measure economic discrimination, with application to race and gender discrimination.

#### **4. Environment**

(class notes)

- *The Economics of Pollution.* We use the concepts of externality and free-riding to analyze why there is too much pollution and why it is difficult to control pollution
- *The Economics of Environmental Control Policies.* We consider the economic advantages and disadvantages of carbon taxes, cap and emission trading policies and straight regulation to control environmental pollution

## 5. Crime and Punishment

(class notes)

- *The Effects of Legalizing Criminal Activities*. The rational choice model will help us to understand the economic determinants of crime and the deterrent effects of punishments
- *The Underground Economy*. We will discuss the difficulties of analyzing the underground economy, starting with finding a proper definition

## 6. Multiculturalism

(Benjamin, Gunderson, and Riddell, chapter 11 in 6<sup>th</sup> edition and online readings)

- *First Nations*
- *Immigration*

## 7. Insurance, Health Care and Pensions

(class notes)

- *Intertemporal Choice*. Briefly review the intertemporal choice model to understand savings decisions of individuals. Learn about Moral Hazard and Adverse Selection problems. Examine the challenges of providing public insurance in developed and developing economies.
- *The Canadian Health and Pension System*

## 8. Poverty and Development (tentative - depending on time)

(Ray, chapter 7 and online readings)

- *The Link between Development and Growth*. This section analyzes channels through which inequality and poverty affect socioeconomic performance.
- *Developing Markets and Institutions for the Poor*. Understanding the links between development and growth stresses the point that the institutions that we are used to may not be appropriate to help marginal groups or developing countries to prosper. We review alternative institutions that may.

Week	Date	Topic	Readings Due
1		<i>Introduction: Basic analytical and Empirical tools</i>	
2		<i>Introduction: Recent Facts about Poverty and Inequality. How to measure Inequality and poverty</i>	
3		<i>The Determination of Income</i>	
4		<i>The Effects of Income Maintenance Schemes.</i>	
5		<i>Wage Differentials: Education, Unions, Minimum Wages</i>	
6		<i>Discrimination</i>	
7		<i>The Economics of Pollution and Environmental Control Policies</i>	
8		<i>The Economics of Crime – the Underground economy</i>	
9		<i>Multiculturalism</i>	
10		<i>Inter-temporal Choice</i> <i>The Canadian Health and Pension System</i>	
11		<i>The Link between Development and Growth.</i>	
12		<i>Developing Markets and Institutions for the Poor.</i>	

### **Late Work**

Late work will not be accepted under any circumstances. If you email your assignments, electronic documents must be in Word or pdf format. Please ensure that a readable copy reaches me in the time specified in the assignment. If the document is unreadable or cannot be opened you will get a 0 in that assignment.

### **Information on Plagiarism Detection**

Description of software used to detect plagiarism.

### **Electronic Device Policy**

Students are welcome to bring laptop computers during class. However, they are only meant to be used in a manner that is relevant to what is being taught and discussed in lectures. Browsing of the internet is not permitted as it can be extremely distracting to me and more importantly, to other students. If relevant, I will notify you whether accessing the internet during class lectures is possible.

Cell phones and any other electronic device that can be used for communication with other individuals or access to the internet **must be switched off**

### **Attendance Policy**

Please ensure that you arrive to class in time. Late arrivals are very distracting to me and your class mates. If you consistently arrive late, I will ask you to rearrange your schedule or not come to class.

### **Institutional-required statements for undergraduate course outlines approved by Senate Undergraduate Council, April 14, 2009**

#### **Academic Integrity**

In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. See the [UWaterloo Academic Integrity Webpage \(https://uwaterloo.ca/academic-integrity/\)](https://uwaterloo.ca/academic-integrity/) and the [Arts Academic Integrity Office Webpage \(http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility\)](http://arts.uwaterloo.ca/current-undergraduates/academic-responsibility) for more information.

#### **Grievance**

A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read [Policy 70, Student Petitions and Grievances, Section 4](https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70) (https://uwaterloo.ca/secretariat/policies-procedures-guidelines/policy-70). When in doubt please be certain to contact the department's administrative assistant who will provide further assistance.

#### **Discipline**

A student is expected to know what constitutes academic integrity to avoid committing academic offenses and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offense, or who needs help in learning how to avoid offenses (e.g., plagiarism, cheating) or about "rules" for group work/collaboration should seek guidance from the course professor, academic advisor, or the undergraduate associate dean. For information on categories of offenses and types of

penalties, students should refer to [Policy 71, Student Discipline](http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm) (<http://www.adm.uwaterloo.ca/infosec/Policies/policy71.htm>). For typical penalties check [Guidelines for the Assessment of Penalties](http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm) (<http://www.adm.uwaterloo.ca/infosec/guidelines/penaltyguidelines.htm>).

### **Appeals**

A decision made or penalty imposed under Policy 70, Student Petitions and Grievances (other than a petition) or Policy 71, Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to [Policy 72, Student Appeals](http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm) (<http://www.adm.uwaterloo.ca/infosec/Policies/policy72.htm>).

### **Note for Students with Disabilities**

The Office for Persons with Disabilities (OPD), located in Needles Hall, Room 1132, collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the OPD at the beginning of each academic term.