

University of Waterloo
Department of Economics
Econ 487
Economics of Inequality
Fall 2014
Class Hours, Classroom

Instructor and T.A. Information

Instructor: Ana Ferrer
Office: HH 219
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Office Hours: Wednesdays 13:00 to 14:00
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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

Inequality lies at the heart of current debates about opportunity and equity, implicating numerous contemporary policy issues. Public and scholarly interest in inequality has intensified, not merely because of historic increases in income and wealth inequality in advanced industrial countries, but also because inequalities of race, ethnicity, gender, and social class are evolving in dramatic and complicated ways.

This course will explore some topics on economic inequality in developed economies using both microeconomic theory and empirical evidence. An important part of the course will focus on the empirical research methodology that is now applied to many fields in economics such as labour economics, public economics, the economics of crime, the economics of education, the economics of immigration, etc. There will be some emphasis on the workings of the labour market as it relates to most sources of economic inequality. The course will also cover the empirical evaluation of some policies aimed to deal with economic inequality.

Text books and learning material

The course will consist on a series of readings from seminal papers on specific topics. For those that wish a more solid background on technical issues, the following textbooks could be of help

- Benjamin, Gunderson and Riddell, Labor Market Economics (6th Editions or later) McGraw Hil 2007.
- Angrist and Pichske (2008) "Mostly Harmless Econometrics"
- Handbooks of Labour Economics contain excellent comprehensive surveys of the topics covered

- Schiller, *Economics of Poverty and Discrimination*, Prentice Hall
- Blau et al, *Economics of Women, Men & Work*, Prentice Hall
- Frank, *Economics & Behavior*, McGraw Hill
- De Soto, *The Other Path*

Readings Available on LEARN

Please consult

Course Requirements and Assessment

The course will use the econometric methods typically encountered in ECON 321. We will not cover this material in class, but I will assume that you know it.

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;

Assessment	Date of Evaluation (if known)	Weighting
Problem Sets	Consult Waterloo Learn	25
Class participation	On going	15
Research paper	Consult Waterloo Learn	60
Total		100%

Problem Sets

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

Class Participation

Class participation is an important part of your learning experience. Each week there will be some assigned readings that you should read in advance in order to contribute to in-class discussions.

Research Paper

During the first two weeks of class you should choose a research question, do some preliminary reading and clear it up with me to see whether it is feasible to do.

The grade for the research paper will consist of a mark for a first draft (due on October 22nd), a mark for the oral presentation of your work (the schedule for the oral presentation to be announced) and the final written paper due the last day of class.

Course Outline

1. Overview and Empirical techniques

Angrist and Pischke (2009), "Mostly Harmless Econometrics", Princeton University Press, Princeton, NJ, 2009.

Angrist, J.D. and Krueger, A.B. (1999) "*Empirical Strategies in Labour Economics*", in Ashenfelter O.C. and D. Card, editors, Handbook of Labour Economics, North Holland, vol. IIIA, 1999.

DiNardo, J. and J.S. Pischke (1997) "The Returns to Computer Use Revisited: Have Pencils Changed the Wage Structure Too?" *Quarterly Journal of Economics*, vol. 112 pp. 291-303

Donohue, J. and Levitt, S. (2001) "The Impact of Legalized Abortion on Crime", *Quarterly Journal of Economics*, vol. 116, n2. pp. 379-420

Miguel, Edward. 2005. "Poverty and Witch Killing," *Review of Economic Studies*, 72(4): 1153-1172.

Bertrand, M. and Mullainathan, S. (2004) "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination" *AER*, 94(4) pp. 991-1013

(*) Fortin, N., D. Green, T. Lemieux, K. Milligan, and C. Riddell (2012) "Canadian Inequality: Recent Developments and Policy Options", *Canadian Public Policy* 38(2), pp: 121-145

(*) Lemieux, T. (2008) "The changing nature of wage inequality", *Journal of Population Economics* 21(2), pp: 21-48

(*) Dirk Krueger; Fabrizio Perri; Luigi Pistaferri; Giovanni L. Violante (2010) "Cross-sectional facts for macroeconomists", *Review of Economic Dynamics* (January 2010), 13 (1), pg. 1-14

2. Productivity related wage inequalities

2.1. Education

Card, D. (1999) "*The Causal Effects of Education on Earnings*" in Ashenfelter O.C. and D. Card, editors, Handbook of Labour Economics, North Holland, vol. IIIA, 1999, chapter 27

D. Autor (2014), "Skills, education, and the rise of earnings inequality among the "other" 99 percent", *Science* vol.344, pp. 843-850

(*) D. Autor (2011) "The Polarization of Job Opportunities in the U.S. Labor Market: Implications for Employment and Earnings", *Community Investments*, vol.23(2) pp:11-16

(*) Ferrer and Riddell (2002). "The Role of Credentials in the Canadian Labor Market". *Canadian Journal of Economics*, November 2002; 35(4): 879-905

"The Puzzling Effect of Delaying Schooling on Canadian Wages" (with Alicia Menendez), *forthcoming Canadian Public Policy*, vol.40(3)

Oreopoulos, P. (2005) "Estimating Average and Local Average Treatment Effects of Education when Compulsory Laws really Matter" *American Economic Review*

2.2. The Effects of Income Maintenance Schemes.

(*) Lemieux, T. and Milligan, K. (2004) "Incentive Effects of Social Assistance: A Regression Discontinuity Approach", *NBER Working Paper # 10541*

(*) Baker, B., Gruber, J. and Milligan, K. "Universal Childcare, Maternal Labour Supply and Family Well-being" JPE vol 116(4), 2008. <http://www.nber.org/papers/w11832>

(*) Green, D. and Goldberg, M., 1999, "Raising the Floor: The Social and Economic Benefits of Minimum Wages in Canada", Canadian Centre for Policy Alternatives

2.3. Immigration

Borjas (1999) "*The Economic analysis of Immigration*" in Ashenfelter O.C. and D. Card, editors, Handbook of Labour Economics, North Holland, vol. IIIA, 1999.

(*) Borjas, G. "The Labour Demand Curve is Downward sloping: Re-examining the Impact of Immigration on the Labour Market" Quarterly Journal of Economics 118(4), November 2003.

(*) Card, D. "*The Impact of the Muriek Boatlift on the Miami Labour Market*" Aspects of Labor Market Behavior: Essays in honor of J. Vanderkamp Toronto University Press

Ferrer, Green and Riddell (2006) "The Effect of Literacy on the Earnings of Immigrants" *The Journal of Human Resources* vol.41(2) pp.380-410

Ferrer and Adsera (2014) "The Myth of Immigrant Women as Secondary Workers: Evidence from Canada" *American Economic Review Papers and Proceedings*, vol.104(3), May 2014

3. Gender Inequalities

3.1. Decomposition methods

Benjamin, D.; Gunderson, M.; Lemieux, T and Riddell, C. (2007), Labour Market Economics. 6th Edition. Chapter 12 "Economics of Discrimination."

Jann, B. (2008) "The Blinder-Oaxaca decomposition for linear regression models" *The Stata Journal* vol 8(4), pp:453-479

3.2. Gender inequalities in developed economies

(*) Goldin, Claudia. 2006. "The Quiet Revolution That Transformed Women's Employment, Education, and Family," *American Economic Review*, 96 (2): 1-21

(*) Drolet, M. "The Male-Female Wage Gap" *Perspectives on Labour and Income*, December 2001, pp.5-10, Statistics Canada # 75-001-XIE

(*) Goldin, Claudia and Cecelia Rouse. 2000. "Orchestrating Impartiality: The Effect of 'Blind' Auditions on Female Musicians." *American Economic Review* 90(4): 715-741.

O'Neill, J. and D. O'Neill (2006) "*What do wage differentials tell us about labour market discrimination?*" in Solomon W. Polachek, Carmel Chiswick, Hillel Rapoport (ed.) The Economics of Immigration and Social Diversity (Research in Labor Economics, Volume 24), Emerald Group Publishing Limited, pp.293-357

Gneezy, U, Leonard, K.L. and List, J.A. (2009) "Gender Differences in Competition: Evidence from a Matrilineal and a Patriarchal Society," *Econometrica*, 77, 5, 1637-1664

Niederle, M. and L. Vesterlund (2007) "Do women shy away from competition? Do men compete too much?" *Quarterly Journal of economics*

De V. Cavalcanti, T. (2008). "Assessing the "engines of liberation": home appliances and Female Labor force participation" *Review of Economics & Statistics*, 90(1), 81-88.

Bertrand, M., C. Goldin and L. Katz (2010) "Dynamics of the Gender Gap for Young Professionals in the Financial and Corporate Sectors," *American Economic Journal: Applied Economics*, vol.2(3) pp:228-255

3.3. Gender inequalities in developing economies

Sen, A. (1990) "More than 100 Women are Missing." New York Review of Books.

(*) Wonacott, P. (2007) "India's Skewed Sex Ratio Puts GE Sales in Spotlight," The Wall Street Journal, April 19.

(*) Jensen, R. and E. Oster (2009) "The Power of TV: Cable Television and Women's Status in India," *The Quarterly Journal of Economics*, 124(3): 1057-1094.

(*) Qian, N. (2008) "Missing Women and the Price of Tea in China: The Effect of Sex-specific Income on Sex Imbalance," *Quarterly Journal of Economics*, 123(3): 1251-1285.

(*) Stevenson, B. and J. Wolfers (2009) "The Paradox of Declining Female Happiness." *American Economic Journal: Economic Policy*, 1(2): 190–222.

Week	Date	Topic	Readings Due
1	Date	Overview	
2		Empirical techniques	
3	Date	Measures of Inequality	
4	Date	Education Inequalities (II)	
5	Date	The Effects of Income Maintenance Schemes (I)	
6	Date	<i>Short presentation of draft (10 minutes)</i>	
7	Date	Immigration	
8	Date	Measures of discrimination and the decomposition of the wage distribution	
9	Date	Gender inequalities (I)	
10	Date	Gender Inequalities (II)	
11	Date	<i>Final presentations (30-40 minutes)</i>	
12	Date	<i>Final presentations (30-40 minutes)</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. 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.