

Economics 363 – Spring 2012
Canadian Contemporary Problems

Instructor: **Anindya Sen**

Office: HH 241, Phone 888-4567, ext. 32123

Class: 10:00-11:20TTh EV3 4408

Office Hours: 1-2:30 TR. If this is not conducive to your schedule, please feel free to email me so that we can set up an appointment.

E-mail: asen@uwaterloo.ca

Under certain assumptions markets result in an efficient allocation of resources and maximize societal welfare. However, there are many problems despite the presence of well functioning markets. For example, there is evidence of racial discrimination despite otherwise competitive labor markets. Further, it is a puzzle why individuals commit crime even with the availability of public education and labor markets that reward the accumulation of human capital.

From another perspective, Canada has certainly seen the implementation of several important policies over the past two decades such as the implementation of free trade agreements, cuts to health care coverage and funding, reduction of social assistance benefits, and the deregulation of electricity markets. Several other important policy debates are being conducted regarding the sustainability of the Canada Pension Plan, increasing the minimum wage, choosing appropriate and relevant pollution standards, and the provision of universal day care programs.

This course will look at some of these issues and present economic models that can be used to understand and predict the consequences of associated policies. Specifically, for each problem, we will start by learning how to conduct and assimilate relevant literature. I will then teach how a relevant theoretical model can be constructed and used in a policy setting. Finally, I will demonstrate how to collect and employ data to test the hypotheses generated from such theoretical models. In this respect, I will attempt to impart skills that are relevant and can be readily employed in the work place.

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. Finally, students are also expected to submit a paper on a topic approved by me, and that must be based on data collected under my supervision and conducted with relevant econometric techniques. This paper is due at the end of the last class. The guidelines for the paper will be distributed sometime in May.

There is no textbook for the course. I will teach primarily using articles from peer reviewed academic journals as well other material.

Grading Scheme

Assignments – 10%

Midterm - June 14th - 25%

Term paper (due on the last day of class) 25%

Final Exam 40% (on a date set by the University)

The assignment and term paper may be done in groups of up to two students. However, I will use some discretion in grading work done individually. You are free to discuss and attempt to solve assignment problems by consulting each other. However, answers are expected to accurately reflect individual thought and effort, and copying solutions is not permitted. It is also not a good idea given that there will be similarities between assignment and test questions. Therefore, attempting to solve assignment questions individually is recommended.

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 related to (but not restricted to): (1) the occurrence of other tests on the same day; or (3) whether the test/exam conflicts with vacation plans.

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

Etiquette

On separate issues: (1) 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; (2) 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; (3) finally, cell phones and blackberries or any other electronic device that can be used for communication with other individuals or access to the internet must be switched off during class lectures.

Topics

1. Basic microeconomics

Utility Maximization, The Demand Curve, Cost Curves, The Supply curve, Profit Maximization, Market Structure.

2. Cost-Benefit Analysis

Discounting, Time-stream Evaluation and Investment Criteria, The Measurement of Welfare Change, Correcting Market Distortions (Shadow Prices, Wages, and Discount Rates), Problems in Project Evaluation, Public Enterprise Pricing Rules, The Valuation of Intangibles

3. Basic econometrics

What are Data?, Single Variable Regression Models, Hypothesis Testing, Multivariate Regression Analyses, Dummy variables, Conducting research using Excel spreadsheets

4. Crime and Public Policy

John J. DiIulio, Jr. "Help Wanted: Economists, Crime and Public Policy." *The Journal of Economic Perspectives* 10(1), Winter, 1996, pp. 3-24.

Anindya Sen. "Does Increased Abortion Lead to Lower Crime? Evaluating the Relationship between Crime, Abortion, and Fertility." *The B.E. Journal of Economic Analysis & Policy* (Topics) 7(1), 2007, Article 48.

Corman, Hope; Mocan, Naci. "Carrots, Sticks, and Broken Windows." *Journal of Law and Economics*, vol. 48, no. 1, April 2005, pp. 235-66.

Anderson, David A. "The Aggregate Burden of Crime." *Journal of Law and Economics*, vol. 42, no. 2, October 1999, pp. 611-42.

5. Public Health Care

Sen, Anindya, with Mahdiyeh Entezarkheir and Alan Wilson. "Obesity, smoking, and cigarette taxes: evidence from the Canadian Community Health Surveys.", forthcoming, *Health Policy*

Sen, Anindya, with May Luong. "Estimating the impact of beer prices on the incidence of sexually transmitted diseases: cross-province and time series evidence from Canada." *Contemporary Economic Policy*, 26(4), 2008, pp. 505-517

Hanratty, Maria J. "Canadian National Health Insurance and Infant Health." *American Economic Review*, vol. 86, no. 1, March 1996, pp. 276-84.

Pierre-Yves Crémieux, Pierre Ouellette, Caroline Pilon. "Health care spending as determinants of health outcomes." *Health Economics*, Volume 8, Issue 7, Pages 627 – 639.

Decker, Sandra L; Remler, Dahlia K "How Much Might Universal Health Insurance Reduce Socioeconomic Disparities in Health? A Comparison of the US and Canada." *Applied Health Economics and Health Policy*, vol. 3, no. 4, 2004, pp. 205-16.

6. Employment, Minimum Wage and Poverty

Burkhauser, Richard V; Sabia, Joseph J. "The Effectiveness of Minimum-Wage Increases in Reducing Poverty: Past, Present, and Future." *Contemporary Economic Policy*, vol. 25, no. 2, April 2007, pp. 262-81.

Page, Marianne E; Spetz, Joanne; Millar, Jane. "Does the Minimum Wage Affect Welfare Caseloads?" *Journal of Policy Analysis and Management*, vol. 24, no. 2, Spring 2005, pp. 273-95

Sen, Anindya, Corey Van De Waal and Kathleen Rybczynski. "Teen Employment, Poverty, and the Minimum Wage: Evidence from Canada.", Working Paper

Baker, Michael; Benjamin, Dwayne; Stanger, Shuchita. "The Highs and Lows of the Minimum Wage Effect: A Time-Series Cross-Section Study of the Canadian Law." *Journal of Labor Economics*, vol. 17, no. 2, April 1999, pp. 318-50

7. The Effects of Free Trade

John McCallum. "National Borders Matter: Canada-U.S. Regional Trade Patterns." *The American Economic Review*, Vol. 85, No. 3 (Jun., 1995), pp. 615-623.

Daniel Trefler. "The Long and Short of the Canada-U.S. Free Trade Agreement." *The American Economic Review*, Vol. 94, No. 4 (Sep., 2004), pp. 870-895.

8. Racial Discrimination

Oreopoulos, Philip. Why Do Skilled Immigrants Struggle in the Labor Market? A Field Experiment with Six Thousand Résumés

Skuterud, Mikal. "The Visible Minority Wage Gap Across Generations of Canadians," *Canadian Journal of Economics*.

Marianne Bertrand and Sendhil Mullainathan. "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination." *The American Economic Review*, Vol. 94, No. 4 (Sep., 2004), pp. 991-1013.

Krishna Pendakur and Ravi Pendakur. "The Colour of Money: Earnings Differentials among Ethnic Groups in Canada." *The Canadian Journal of Economics*. Vol. 31, No. 3 (Aug., 1998), pp. 518-548.

9. Poverty in Canada

Lars Osberg and Kuan Xu. "Poverty Intensity: How Well Do Canadian Provinces Compare?" *Canadian Public Policy*, Vol. 25, No. 2 (Jun., 1999), pp. 179-195

Krishna Pendakur. "Consumption Poverty in Canada, 1969 to 1998." *Canadian Public Policy*, Vol. 27, No. 2 (Jun., 2001), pp. 125-149.

10. Gas Prices

Anindya Sen. "Higher prices at Canadian gas pumps: international crude oil prices or local market concentration? An empirical investigation." *Energy Economics* Volume 25, Issue 3, May 2003, Pages 269-288.

Note on avoidance of academic offences: All students registered in the courses of the Faculty of Arts are expected to know what constitutes an academic offence, to avoid committing academic offences, and to take responsibility for their actions. When the commission of an offence is established, disciplinary penalties will be imposed in accord with Policy #71 (Student Academic Discipline). For information on categories of offences and types of penalties, students are directed to consult the summary of Policy #71 (Student Academic Discipline) which is supplied in the Undergraduate Calendar (page 1:10). If you need help in learning how to avoid offences such as plagiarism, cheating, and double submission, or if you need clarification of aspects of the discipline policy, ask your course instructor for guidance. Other resources regarding the discipline policy are your academic advisor and the Undergraduate Associate Dean