

**University of Waterloo**  
**Department of Economics**  
**Econ 363. Contemporary Canadian Problems**  
**Winter 2017**  
**MWF 11:30 – 12:20 (HH334)**

**Instructor and T.A. Information**

Instructor: Ana Ferrer  
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**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
- Le Grand, Propper and, Smith, "The Economics of Social Problems (2009). Palgrave Macmillan eds.

These are books you may want to consult if you want to go deeper into a particular issue of your interest, look for the latest edition.

- Debraj Ray, Development Economics, Princeton University Press
- 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
- Field and Olewiler, *Environmental Economics*
- Lowenstein & Elster, *Choice over Time*, Sage.
- 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. 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	25%
Class Participation	Consult Waterloo Learn	15%
Midterm 1	Wednesday, February 15	30%
Final Exam	TBA	30%
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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 answer 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

### Missing Midterms

If you miss the midterm for a justified reason, supported by adequate evidence, the weight of the midterm will be transferred to the final exam.

## Course Outline

### 1. **Introduction** (class notes)

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

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

(Benjamin, Gunderson, and Riddell, chapters 2 and 3 in 6<sup>th</sup> edition, class notes 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
- *Public policies to alleviate poverty and inequality (I): 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
- *Public policies to alleviate poverty and inequality (II): Insurance, Health Care and Pensions* Briefly review the intertemporal choice model to understand savings decisions of individuals. Learn about Moral Hazard and Adverse Selection problems. Check out the Canadian Health and Pension system and examine the challenges of providing public insurance in developed and developing economies.
- *Institutional factors contributing to inequality: Education, Unions, Minimum Wages.* We will further analyze different sources of inequality

### 3. **Discrimination**

(Benjamin, Gunderson, and Riddell, chapter 11, 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.
- *Multiculturalism.* We will explore the specific challenges of a multicultural society. How to approach the problems of First Nations in Canada and the specific challenges of immigration.

### 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. **Poverty and Development**

(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>Public policies to alleviate poverty and inequality (I)</i>	
5		<i>Public policies to alleviate poverty and inequality (II)</i>	
6		<i>Institutional factors contributing to inequality: Education, Unions, Minimum Wages</i>	
7		<i>Discrimination</i>	
8		<i>Multiculturalism</i>	
9		<i>The Economics of Pollution and Environmental Control Policies</i>	
10		<i>The Economics of Crime – the Underground economy</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 (recommended), 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

**Turnitin.com:** Plagiarism detection software (Turnitin) will be used to screen assignments in this course. This is being done to verify that use of all material and sources in assignments is documented. In the first week of the term, details will be provided about the arrangements for the use of Turnitin in this course. Note: students must be given a reasonable option if they do not want to have their assignment screened by Turnitin. See [Turnitin at Waterloo](https://uwaterloo.ca/academic-integrity/integrity-waterloo-faculty/turnitin-waterloo) for more information. (<https://uwaterloo.ca/academic-integrity/integrity-waterloo-faculty/turnitin-waterloo>)

### 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**