The Economics of Inequality and Discrimination
Winter 2019
Mondays & Wednesdays 3:30 pm – 4:50pm
Professor Jonathan Guryan, j-guryan@northwestern.edu
Office hours: By appointment
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Course description: The gap between rich and poor is significantly larger in the United States than it was 40 years ago. In this course we explore why this may have happened and what policies have been attempted to address the causes and consequences of inequality. We will investigate these questions through the lens of economics, and will learn fundamental economic concepts as a way to answer these questions. The first part of the course will begin with a discussion about what inequality is and how to measure it. We will discuss how inequality in earnings, wealth, and wellbeing have changed in the U.S. over time, and will talk about various economic theories to explain these changes. The second part of the course will explore policies designed to address the causes and consequences of inequality. We will also learn about fundamental economic concepts – including opportunity cost, comparative advantage, supply and demand, human capital, and individual responses to incentives – as a way to critically examine the effectiveness of these policies. The final part of the course will focus specifically on inequality along race and gender lines, with some attention to whether these differences are the result of discrimination. We will also explore how economic thinking can help us analyze policies designed to address past and present discrimination.

Accommodations for students with disabilities: Any student requesting accommodations related to a disability or other condition is required to register with AccessibleNU (accessiblenu@northwestern.edu; 847-467-5530) and provide professors with an accommodation notification from AccessibleNU, preferably within the first two weeks of class. All information will remain confidential.

Academic Integrity: Students in this course are required to comply with the policies found in the booklet, “Academic Integrity at Northwestern University: A Basic guide.” All papers submitted for credit in this course must be submitted electronically unless otherwise instructed by the professor. Your written work may be tested for plagiarized content. For details regarding academic integrity at Northwestern or to download the guide, visit: http://www.northwestern.edu/provost/policies/academic-integrity/index.html

Coursework: Coursework will include analytical problem solving, writing about economics and public policy, out of class reading and in-class discussion. We will learn – and you will be tested on your understanding of – fundamental microeconomic concepts. The analytical problem solving on homework assignments and exams will involve mathematics, such as algebra, solving a system of two equations and two unknowns, and reading and creating graphical representations of economic models. Calculus at the level of derivatives will be discussed and used, but a deep understanding of calculus is not required.

Course requirements: Students will be expected to read the materials listed on the syllabus in advance of class, to participate in class discussions, to complete several take-home problem sets, to write one or two policy analysis briefs, and to take an in-class midterm exam and a final exam.

Grades: Grades will be based on problem sets (30 percent), policy brief(s) (15 percent), class participation (10 percent), midterm (20 percent) and final exam (25 percent).

Required texts: (Additional required readings will be posted on the course’s Canvas site)
Borjas, Labor Economics, McGraw Hill.
SCHEDULE:

Part I: How much inequality is there?

Week 1 – January 7 & 9: What is inequality?

  How do we measure inequality?
  What has happened to inequality over time?

Readings:
  - Goldin & Katz, The Race Between Education and Technology, Chapter 2 & 3

Week 2 – January 14 & 16: More facts about inequality, and economics review

Readings:

No Class: January 21 – MLK Day

Week 3 – January 23: Economics review, continued

Readings:
  - Labor supply notes (on Canvas site)
  - Labor demand notes (on Canvas site)

Week 4 – January 28 & 30: The costs, benefits and causes of inequality

Why has inequality increased in recent decades?
Economic concepts: Supply and demand

Readings:
  - Murnane & Willett, Methods Matter, Chapter 3 & Chapter 8, pp. 135-149
Part II: Policies to address inequality

**Week 5 – February 4 & 6: Tax & welfare policy**

Redistribution through income and other taxes  
Tax incidence: Who pays taxes?  
Social welfare programs  
Economic concepts: Labor supply, tax incidence

Readings:  
- Gruber, *Public Finance and Public Policy*, ch. 18 & 19  
- Edin & Lein, *Making Ends Meet*, Forward and Chapters 1 & 4

**Week 6 – February 11 & 13: Education policy I**

Education as an investment  
Economic concepts: The human capital model, opportunity cost, net present value

Reading:  
- Greenstone and Looney, “Where is the Best Place to Invest $102,000 – In Stocks, Bonds, or a College Degree?” Hamilton Project

**MIDTERM – February 18**

**Week 7 – February 20: Education policy II**

The returns to schooling: How do we measure them?  
Trends in the value of schooling  
Supply and demand for education and skills  
Economic concepts: Causal analysis, Supply and demand for skills

- Brooks, “The Wrong Inequality,” *New York Times*  
Week 8 – February 25 & 27: Labor markets, jobs and unemployment

Unemployment & The costs of job loss
Economic concepts: Labor demand, Specific and general human capital,

Readings:
- Gruber, Public Finance and Public Policy, ch. 14
- The Economist, “The Long-term Unemployed: The Ravages of Time, An Intractable Problem is Getting Worse”

Part III: Inequality and discrimination

Week 9 – March 4 & 6: Discrimination and gender inequality

The economics of gender

Readings:
- Goldin & Rouse, “Orchestrating Impartiality: The Impact of “Blind” Auditions on Female Musicians”

Week 10 – March 11 & 13: Discrimination and racial inequality

The economics of discrimination
Prejudice and labor markets
Statistical discrimination
Economic concepts: The Becker discrimination model, Statistical discrimination

Readings:
- Charles & Guryan, “Prejudice and Wages”
- Loury, The Anatomy of Racial Inequality, Chapter 2 & 4

FINAL EXAM: Friday March 22, 3pm – 5pm, in the classroom where we have lecture.

Note: The exam will take place according to the Northwestern University exam schedule, which is posted at http://www.registrar.northwestern.edu/registration/final_exam_schedules.html. Make sure you look at the WINTER 2018 schedule, not the schedule for other quarters!