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

Recording of classes: This class or portions of this class will be recorded by the instructor for educational purposes and available to the class during the quarter. Your instructor will communicate how you can access the recordings. Portions of the course that contain images, questions or commentary/discussion by students will be edited out of any recordings that are saved beyond the current term.

Unauthorized recording of classes by students is not allowed: Unauthorized student recording of classroom or other academic activities (including advising sessions or office hours) is prohibited. Unauthorized recording is unethical and may also be a violation of University policy and state law. Students requesting the use of assistive technology as an accommodation should contact AccessibleNU. Unauthorized use of classroom recordings – including distributing or posting them – is also prohibited. Under the University’s Copyright Policy, faculty own the copyright to instructional materials – including those resources created specifically for the purposes of instruction, such as syllabi, lectures and lecture notes, and presentations. Students cannot copy, reproduce, display or distribute these materials. Students who engage in unauthorized recording, unauthorized use of a recording or unauthorized distribution of instructional materials will be referred to the appropriate University office for follow-up.

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 complete several take-home problem sets, to write one or two policy analysis briefs, and to take a take-home final exam.

**Grades:** Grades will be based on problem sets (40 percent), policy brief(s) (30 percent), and a take-home final exam (30 percent).

**Required texts:** (Additional required readings will be posted on the course’s Canvas site)

**SCHEDULE:**

**Part I: How much inequality is there?**

**Week 1 – January 11 & 13: What is inequality?**

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

**Readings:**

**No Class: January 18 – MLK Day**

**Week 2 – January 20: More facts about inequality**

**Readings:**

**Week 3 – January 25 & 27: Economics review**

**Readings:**
- Labor supply notes (on Canvas site)
- Labor demand notes (on Canvas site)
Week 4 – February 1 & 3: 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 8 & 10: 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 15 & 17: 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

Week 7 – February 22 & 24: 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 – March 1 & 3: 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 8 & 10: Discrimination, racial and gender 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”
- Goldin & Rouse, “Orchestrating Impartiality: The Impact of “Blind” Auditions on Female Musicians”

**FINAL EXAM:** Monday March 15