

ECON 195S.52: ECONOMICS OF POVERTY & DISCRIMINATION

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Thursdays 2:50-5:20 PM
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Office Hours: Mondays 1-3 PM in 230 Social Sciences
<http://www.econ.duke.edu/~hf14/teaching>

Course Description:

This course will lead students into critical thinking about important concepts related to poverty and discrimination. We will engage in open and critical discussion about questions such as:

- "Who is Poor?"
- "Are anti-poverty policies working?"
- "Does racial inequality imply racial prejudice?"
- "How do we statistically detect racial prejudice?"
- "Racial profiling: how should we approach it?"
- "What are the impacts of affirmative actions?"

This course will feature a blending of economic reasoning from theoretical and empirical perspectives, which I hope will become part of the students' toolkit in their further endeavors. The students will come out of the course becoming a critical and intelligent participants in public policy debates, learn to form their own policy recommendations based on their own analysis.

The syllabus below will provide details about what to cover in each topic. For each topic, the plan is as follows. First, I will provide the background for the topic, go over a couple of key papers (a combination of theory and empirical analysis). Second, students will pick from a list of additional papers (included in the reading list below) for class presentation. We will then engage in open discussion on what is known in the topic, is it sufficient for policy making, and any other out-of-box ideas.

All students, not just the presenters, are expected to read the papers we will discuss.

Presentation Guidelines:

- What is the main issue? Why is it interesting?
- What are the main weaknesses of previous studies? What is new that this paper attempts to bring to the topic? Is it a new method? Or is it a new data set? Or is it a new way to examine the question?
- What are the main results? What are the key assumptions necessary for the results? Are these assumptions testable? Do you have issues with these assumptions?
- What are the implications of the results?
- Do you have any critical comments about the paper?

Course Requirement and Grading:

A term paper will be due at the end of the course (due date: April 17, 2008) In the paper the student is required to summarize how his/her views about poverty, poverty alleviation, inequality, discrimination have been affected by this course; and also propose any new ideas and thoughts about these topics.

The grade for the course will be based on the students' presentations/class participation (40%) and on their paper (60%).

Textbooks:

We will use a combination of textbooks and academic journal articles. The textbooks are:

[LANG] *Poverty and Discrimination*, by Kevin Lang, Princeton University Press, 2007.

[HECKMAN/KRUEGER] *Inequality in America: What Roles for Human Capital Policies?* by James J. Heckman and Alan B. Krueger, MIT Press, 2003.

[LOURY] *An Anatomy of Racial Inequality*, by Glenn Loury, Harvard University Press, 2003.

Class Schedule

January 10: Introduction to Poverty

- Background/Introduction
- Poverty: Definition, Measurement, Trends
- Readings:
- [How the Census Bureau measures poverty?](http://www.census.gov/hhes/www/poverty/povdef.html) available at: <http://www.census.gov/hhes/www/poverty/povdef.html>
- LANG, Chapter 2, Chapter 4

January 17: Anti-poverty policies

- Readings:
- LANG, Chapter 3, Chapter 5
- **Welfare: Aid to Families with Dependent Children (AFDC)**
- Readings:
- LANG, Chapter 3, Section 2; Chapter 9
- Rebecca Blank (2002). Evaluating Welfare Reform in the United States. *Journal of Economic Literature*, Vol. 40, 1105-1166.
- Hanming Fang and Michael Keane (2004). Assessing the Impact of Welfare Reform on Single Mothers. *Brookings Papers on Economic Activity*, Volume 1, 1-116.

- Jeff Grogger and Charles Michalopoulos (2003). Welfare Dynamics under Time Limits. *Journal of Political Economy*, Vol. 111, 530-554.
- **Earned Income Tax Credit (EITC)**
Readings:
 - LANG, Chapter 3, Section 3
 - Nada Eissa and Jeff Leibman, “Labor Supply Response to the Earned Income Tax Credit.” *Quarterly Journal of Economics*. Vol 111:2, 1996.
 - Guido Imbens, Donald Rubin and Bruce Sacerdote (2001). Estimating the Effect of Unearned Income on Labor Earnings, Savings and Consumption: Evidence from a Survey of Lottery Players. *American Economic Review*, 778-794.
- **Job Training Programs**
Readings:
 - LANG, Chapter 5, Section 4
 - Orley Ashenfelter (1978). Estimating the Effect of Training Programs on Earnings. *Review of Economics and Statistics*, February, 47-57.
 - Robert J. Lalonde (1982). Evaluating the Econometric Evaluations of Training Programs with Experimental Data. *American Economic Review*, Vol 76, 604-620.

<p>January 24: Student Presentations.</p>
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January 31: Racial and Gender Inequality

- **Measures of Inequality: Gini Index**
- **Black-White Wage Inequality**
Readings:
 - Derek Neal (2006). “Black-White Labour Market Inequality in the United States,” forthcoming in the *New Palgrave Dictionary of Economics*, edited by Steven Durlauf and Lawrence Blume.
 - Derek Neal (2004). “The Measured Black-White Wage Gap Among Women Is Too Small” *Journal of Political Economy*, February, 2004, vol. 112, pp. S1-S28.
 - Derek Neal (2006). “Why Has Black-White Skill Convergence Stopped?” *Handbook of Economics of Education*, edited by Eric Hanushek and Finis Welch, Elsevier. 2006 (NBER Working paper # 11090)
- **Black-White Test Score Gaps**
Readings:
 - Petra E. Todd and Kenneth I. Wolpin: The Production of Cognitive Achievement in Children: Home, School and Racial Test Score Gaps. *Journal of Human Capital*, Vol. 1, No. 1, Winter 2007, 91-136.
 - David Card and Alan B. Krueger (1996). School Resources and Student Outcomes: An Overview of the Literature and New Evidence from North and South Carolina. *Journal of Economic Perspectives*, Vol 10, No. 4, 31-50.
 - Roland Fryer, Jr. and Steven D. Levitt (2004). Understanding the Black-White Test Score Gap in the First Two Years of School. *Review of Economics and Statistics*, vol. 86, 447-464.

- **Gender Inequality**

Readings:

- Claudia Goldin and Lawrence F. Katz (2002). "[The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions](#)", *Journal of Political Economy*, (August 2002).
- Claudia Goldin (2006). "[The Quiet Revolution that Transformed Women's Employment, Education, and Family](#)", Ely Lecture, American Economic Association Meetings, Boston MA.
- Claudia Goldin, Lawrence F. Katz and Ilyana Kuziemko (2006). "[The Homecoming of American College Women: The Reversal of the Gender Gap in College](#)" *Journal of Economic Perspectives*, 20 (Fall 2006), pp. 133-56.
- Claudia Goldin (2002). "[A Pollution Theory of Discrimination: Male and Female Occupations and Earnings](#)" NBER Working Paper no. 8985, (June 2002).
- Claudia Olivetti and Stefania Albanesi (2007). "[Home Production, Market Production, and the Gender Wage Gap: Incentives and Expectations](#)", NBER WP 12212 (May 2006.)
- Claudia Olivetti and Barbara Petrongolo (2007). "[Unequal Pay or Unequal Employment? A Cross-country Analysis of Gender Gaps](#)" CEPR DP 5506 February 2006

February 7: Educational Policies to Reduce Inequality

Readings:

- **HECKMAN/KRUEGER**

February 14: Student Presentations

February 21: Student Presentations

February 28: Discrimination: Theory, Empirical Methods and Evidence

Readings:

- **LOURY BOOK**
- Coate, Stephen & Loury, Glenn C, 1993. "[Will Affirmative-Action Policies Eliminate Negative Stereotypes?](#)" *American Economic Review*, American Economic Association, vol. 83(5), pages 1220-40.
- James Heckman (1998). Detecting Discrimination James J. Heckman *The Journal of Economic Perspectives*, Vol. 12, No. 2, pp. 101-116.
- **Lecture Notes.**

March 6: Discrimination in Consumer Markets

- Ian Ayres and Peter Siegelman (1995). Race and Gender Discrimination in Bargaining for a New Car. *American Economic Review*, Vol. 85, No. 3. (Jun., 1995), pp. 304-321.
- Pinelopi Koujianou Goldberg (1996). Dealer Price Discrimination in New Car Purchases: Evidence from the Consumer Expenditure Survey. *Journal of Political Economy*, Vol. 104, No. 3, pp. 622-654.
- David W. Harless; George E. Hoffer (2002). Do Women Pay More for New Vehicles? Evidence from Transaction Price Data. *The American Economic Review*, Vol. 92, No. 1, pp. 270-279.

March 13 (Spring Recess): ENJOY YOUR BREAK!

March 20: Discrimination in Law Enforcement

- N. Persico, "Rational Choice Foundations of Equal Protection in Selective Enforcement: Theory and Evidence" Manuscript, section 2.
- Knowles, John; Persico, Nicola and Todd, Petra. "Racial Bias in Motor Vehicle Searches: Theory and Evidence." *Journal of Political Economy*, 2001, 109(1), pp. 203–29.
- Hanming Fang and Shamena Anwar, An Alternative Test of Racial Profiling in Motor Vehicle Searches: Theory and Evidence, *American Economic Review*, March 2006, Vol. 96, No. 1, 127-151.

March 27: Discrimination in Labor Market

- James J. Heckman and Brook S. Payner (1989). Determining the Impact of Federal Antidiscrimination Policy on the Economic Status of Blacks: A Study of South Carolina. *American Economic Review*, Vol. 79, No. 1, pp. 138-177.
- Orley Ashenfelter and Timothy Hannan Sex Discrimination and Product Market Competition: The Case of the Banking Industry. *The Quarterly Journal of Economics*, Vol. 101, No.
- Altonji, J. G. and Pierret, C. R. (2001). Employer learning and statistical discrimination, *Quarterly Journal of Economics*, 116, 313–50.
- Neal, Derek and William R. Johnson. (1996). "The Role of Pre-market Factors in Black-White Wage Differences." *Journal of Political Economy* 104(5): 869-895.
- Marianne Bertrand and Sendhil Mullainathan (2004). [Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination](#), September, *American Economic Review*.
- Persico, N., A. Postlewaite, [Daniel Silverman](#) (2004). "The effect of adolescent experience on Labor market outcomes: The case of height." *Journal of Political Economy*, 112(5): 1019-1053.

- Claudia Goldin and Cecilia Rouse (2000). ["Orchestrating Impartiality: The Effect of 'Blind' Auditions on Female Musicians"](#) *American Economic Review* (September 2000).

April 3: Residential Segregation and Affirmative Action

- Patrick Bayer, Hanming Fang and Robert McMillan (2005). Separate when Equal? Racial Inequality and Residential Segregation. NBER Working Paper
- Jonathan Guryan (2004). "Desegregation and Black Dropout Rates," *American Economic Review*, 94(4), pp. 919-943.
- Richard Sander. "A Systemic Analysis of Affirmative Action in American Law Schools," *57 Stanford Law Review*.
- Jesse Rothstein and Albert Yoon. [Affirmative Action in Law School Admissions: What Do Racial Preferences Do?](#) (with Albert Yoon). Forthcoming, *University of Chicago Law Review*.
- Jesse Rothstein and Albert Yoon. [Mismatch in Law School](#), with Albert Yoon (updated: October 2007), Princeton University.

April 10: Student Presentations

Last Meeting: April 17: Student Presentations, Summary and Open Discussions

***** CONGRATULATIONS! YOU ARE NOW AN EXPERT*****
 *****ON POVERTY AND DISCRIMINATION! *****