

**University of Toronto Department of Economics  
Winter 2018**

Time: Wednesday, 4:00-6:00  
Location: SS581

Professor: Natalie Bau  
natalie.bau@utoronto.ca  
Office hours: Wed., 6:00-7:00

**SOCIAL ECONOMICS**

**Course Description**

This course applies the tools of economics to empirical and theoretical problems relating to social issues, with a special focus on educational policy and human capital investment. Topics include the role of dynamic complementarities in human capital investment, school competition, structural estimation of school choice, teacher quality, affirmative action, discrimination, and the interaction of culture and human capital investment. This course will broadly be of interest to students interested in development economics, labour economics, and public economics.

**Course Requirements**

**Class Participation** (10%) Attendance is mandatory since class discussion is an essential component of the class. Students should read all the readings before class and be ready to actively participate in the class discussion.

**In-Class Presentation** (15%) Each student will be assigned to present a paper from the optional readings list (with slides) and lead a class discussion about this paper. You should meet with me in office hours in the week before your in-class presentation to discuss the paper and your approach to leading the discussion.

**Problem Sets** (2 Problem Sets, 20% each) Two problem sets will be assigned during the course. Problem sets will push students to develop new research questions and develop methodological skills.

**Research Prospectus** (35%) A 10-12 page double-spaced write up of a *feasible* research project. The prospectus should include a literature review, a well-motivated research question, the outline of a theoretical model (if applicable), a description of the data source(s) and empirical strategy and ideally, preliminary data analysis. Students will also be expected to present their prospectuses in class for approximately 20-30 minutes.

**Course Policies**

**Correspondence** I aim to respond to emails within 24 hours. Keep this in mind around assignment due dates and note that I may be slower on weekends.

**Extensions** Please discuss extensions with me in advance. Be aware that you cannot get an extension on the prospectus or your class presentation.

*Plagiarism* If you plagiarize, you will fail the course.

*Working with Others* Students are free (and encouraged) to discuss the problem sets and their prospectuses with one another. However, you must hand in your own (unique) code and written work in both cases.

### **Schedule and Reading List**

Almost all the readings will be available through the UToronto library system. To search for articles, you may want to use google scholar linked to the UToronto library system (available here: <https://scholar-google-ca.myaccess.library.utoronto.ca/>). Required readings are marked with a \*.

### **Class 1: Course Goals, Discrimination**

\*E. Phelps (1972), "The Statistical Theory of Racism and Sexism," AER 62 (Sept), 659-61.

\*G. Becker (1957). The Economics of Discrimination, University of Chicago Press  
Chapters 1, 3, & 4.

\*M. Bertrand and S. Mullainathan. "Are Emily and Greg More Employable than Latisha and Jamal? A Field Experiment on Labor Market Discrimination." *American Economic Review* 94 (September 2004): 991-1013.

Sarsons, H. (2017). "Interpreting Signals From the Labor Market: Evidence From Referrals." Working Paper.

Rao, G. (2015). "Familiarity Does Not Breed Contempt: Diversity, Discrimination and Generosity in Delhi Schools." *Working Paper*.

Hanming, Fang and Shamena Anwar (2006). "An Alternative Test of Racial Prejudice in Motor Vehicle Searches: Theory and Evidence." *American Economic Review* 96(1): 127-151.

J. Altonji and C. Pierret (2001). "Employer Learning and Statistical Discrimination," *Quarterly Journal of Economics* 116 (February): 313-50.

J. List (2004). "The Nature and Extent of Discrimination in the Marketplace: Evidence from the Field," *Quarterly Journal of Economics* 119 (February): 49-89.

Schelling, Thomas (2006). Micromotives and Macrobehavior. Norton & Company.

D. Pager (2007) "The Use of Field Experiments for Studies of Employment Discrimination: Contributions, Critiques, and Directions for the Future," *Annals of the American Academy of Political and Social Science* 609: 104-133.

K. Arrow (1973), "The Theory of Discrimination," in O. Ashenfelter and A. Rees, ed., *Discrimination in Labor Markets*, Princeton U. Press, 3-33.

Fryer, R. (2010). "The Importance of Segregation, Discrimination, Peer Dynamics, and Identity in Explaining Trends in the Racial Achievement Gap." *Handbook of Social Economics*.

## **Class 2: Affirmative Action**

\*S. Coate and G. Loury (1993). "Will Affirmative Action Eliminate Negative Stereotypes?" *American Economic Review*: 1220-1240.

\*R. Fryer and G. Loury (2005), "Affirmative Action and Its Mythology," *Journal of Economic Perspectives* 19: 147-62.

\*Beaman, L., Chattopadhyay, R., Duflo, E., Pande, R. and Topalova, P., 2009. Powerful Women: Does Exposure Reduce Prejudice. *Quarterly Journal of Economics*, 124(4), pp.1497-1540.

\*Arcidiacono, P., Aucejo, E., & Hotz, V. J. (forthcoming). "University Differences in the Graduation of Minorities in STEM Fields: Evidence from California." *American Economic Review*.

Sander, R. and S. Taylor (2012). Mismatch: How Affirmative Action Hurts Students It's Intended to Help, and Why Universities Won't Admit It. Basic Books. [Read with a healthy dose of skepticism.]

Akhtari, M. and N. Bau (2016). "Affirmative Action and Student Effort." *Working Paper*.

Kapor, A. (2015). "Distributional Effects of Race-Blind Affirmative Action." *Working Paper*.

Hickman, B. (2013). "Pre-college Human Capital Investment and Affirmative Action: A Structural Policy Analysis of U.S. College Admissions." *Working Paper*.

Cotton, C., Hickman, B. and J. Price (2015). "Affirmative Action and Human Capital Investment: Theory and Evidence From a Randomized Field Experiment." *Working Paper*.

## **Class 3: Dynamic Complementarities & Non-cognitive Skills**

\*Cunha, F., Heckman, J., Loechner, L. and D. Masterov (2005). "Interpreting the Evidence on Life Cycle Skill Formation." *NBER Working Paper #11331*.

\*Azier, A. and F. Cunha (2015). "The Production of Human Capital in Childhood: Endowments, Investments and Fertility." *Working Paper*.

- Attainasio, O., Cattan, S., Fitzsimmons, E., Meghir, C. and M. Rubio-Codina (2017). "Estimating the production function for human capital: Results from a Randomized Trial in Colombia." *Working Paper*.
- Cunha, F. and J. Heckman (2007). "The Technology of Skill Formation." *American Economic Review P&P* 97(2): 31-47.
- Cunha, F., Heckman, J. and Susanne Schennach (2010). "Estimating the Technology of Cognitive and Non-cognitive Skill Formation." *Econometrica* 78(3): 883-931.
- Johnson, Rucker and Kirabo Jackson (2017). "Reducing Inequality Through Dynamic Complementarity: Evidence From Head Start." NBER Working Paper #23489.
- Hoynes, Hilary W., Diane Whitmore Schanzenbach, and Douglas Almond (forthcoming). "Long run impacts of childhood access to the safety net." *AER*.
- Deming DJ. "Early Childhood Intervention and Life-Cycle Skill Development: Evidence from Head Start." *American Economic Journal: Applied Economics*. 2009;1(3):111-134.
- Currie, Janet, and Douglas Almond. "Human capital development before age five." *Handbook of labor economics* 4 (2011): 1315-1486.
- Ashraf, N., Bau, N., Low, C. and K. McGinn (2017). "Negotiating a Better Future: How Inter-personal Skills facilitate Inter-Generational Investment." *Working Paper*.

#### **Class 4: Teacher Quality**

- \*Chetty, Raj, John N. Friedman, and Jonah E. Rockoff (2014). "Measuring the Impacts of Teachers I: Evaluating Bias in Teacher Value-Added Estimates." *The American Economic Review* 104.9: 2593-2632.
- \*Chetty, Raj, John N. Friedman, and Jonah E. Rockoff (2014). "Measuring the Impacts of Teachers II: Teacher Value-Added and Student Outcomes in Adulthood." *The American Economic Review* 104.9: 2633-2679.
- \*Hanushek, E. and S., Rivkin (2010). "Generalizations About Using Value-Added Measures of Teacher Quality." *American Economic Review* 100(2): 267-271.
- Rothstein, Jesse (2014). "Revisiting the impacts of teachers." *Working Paper*.
- Rothstein, Jesse (2010). "Teacher Quality in Educational Production: Tracking, Decay and Student Achievement." *Quarterly Journal of Economics* 125(1): 175-214.
- Chetty, Raj, Friedman, John, and Jonah Rockoff (2015). "Measuring the Impact of Teachers: Response to Rothstein (2014)." *CEPR Discussion Paper 10768*.

Staiger, Douglas O., and Jonah E. Rockoff. "Searching for effective teachers with imperfect information." *The Journal of Economic Perspectives* 24.3 (2010): 97-117.

Rockoff, Jonah E (2004). "The impact of individual teachers on student achievement: Evidence from panel data." *American Economic Review P&P* (2004): 247-252.

Aucejo, Esteban (2011). "Assessing the Role of Teacher-Student Interactions." *Working Paper*.

Wiswall, M. (2013). "The Dynamics of Teacher Quality." *Journal of Public Economics* 100: 61-78.

### **Class 5: Discrete Choice in Social Economics**

\*Akerberg D, Benkard L, Berry S, Pakes A (2007). "Econometric Tools for Analyzing Market Outcomes." *The Handbook of Econometrics*. [Just the Demand Systems Section.]

\*Bayer, Patrick, Macmillan, Rob, and Fernanda Ferreira (2007). "A Unified Framework for Measuring Preferences for Schools and Neighborhoods." *Journal of Political Economy* 115(4): 588-638.

Diamond, Rebecca (forthcoming). "The Determinants and Implications of U.S. Workers' Diverging Location Choices by Skill 1980-2000." *American Economic Review*.

Allcott, H., Diamond, R., and Jean-Pierre Dube (2017). "The Geography of Poverty and Nutrition: Food Deserts and Food Choices Across the United States." *NBER Working Paper #24094*.

Walters, Christopher (2014). "The Demand for Effective Charter Schools." *NBER Working Paper #20640*.

Carneiro, Pedro, Das, Jishnu, and Hugo Reis (2010). "Estimating Demand for School Attributes in Pakistan." *Working Paper*.

### **Class 6: School Competition & Vouchers**

\*Hoxby, Caroline M (2000). "Does competition among public schools benefit students and taxpayers?" *American Economic Review*: 1209-1238.

\*Neilson, C. (2015). "Targeted Vouchers, Competition Among Schools, and the Academic Achievement of Poor Students." *Working Paper*.

\*Muralidharan, K. and V. Sundararaman (2015). "The Aggregate Effects of School Choice: Evidence From a Two-Stage Experiment in India." *Quarterly Journal of Economics* 130(3): 1011-1066.

Rothstein, Jesse (2005). *Does competition among public schools benefit students and taxpayers? A comment on Hoxby (2000)*. NBER Working Paper.

Hoxby, Caroline M. *Competition among public schools: a reply to Rothstein (2004)*. NBER Working Paper.

Hsieh, C. and M. Urquiola (2006). "The Effects of Generalized School Choice on Achievement and Stratification: Evidence From Chile's Voucher Program." *Journal of Public Economics* 90: 1477-1503.

Angrist, J., Bettinger, E., Bloom, E. King, and M. Kremer (2002). "Vouchers for Private Schooling in Colombia: Evidence From a Randomized Natural Experiment." *American Economic Review* 92(5): 1535-1558.

### **Class 7: Human Capital & Information**

\*Jensen, R (2010). "The (Perceived) Returns to Education and the Demand for Schooling." *Quarterly Journal of Economics* 125(2): 515-548.

\*Dizon-Ross, Rebecca (2015). "Parents' Perceptions and Children's Education: Experimental Evidence From Malawi." *Working Paper*.

\*Hoxby, C. and C. Avery (2013). "The Missing One-Offs: The Hidden Supply of High Achieving Low-Income Students." *Brookings Papers on Economic Activity* 1: 1-65.

Hoxby, C. and S. Turner (2013). "Expanding College Opportunities for High-Achieving, Low-Income Students." *SIEPR Discussion Paper*.

Bergman, Peter (2015). "Parent-Child Information Frictions and Human Capital Investment: Evidence From a Field Experiment." *Working Paper*.

### **Class 8: School Choice & Information**

\*Hastings, J. and J. Weinstein (2008). "Information, School Choice, and Academic Achievement: Evidence From Two Experiments." *Quarterly Journal of Economics*.

\*Andrabi, T., Das, J., and A. Khwaja (2014). "Report Cards: The Impact of Providing School and Child Test Scores on Education Markets." *Working Paper*.

Bau, N. (2015). "School Competition and Product Differentiation." *Working Paper*.

Chan, Y. and H. Leland (1982). "Prices and Quality in Markets With Costly Information." *Review of Economic Studies* 49(4): 499-516.

Dranove, D. and G. Jin (2010). "Quality Disclosure and Certification: Theory and Practice." *Journal of Economic Literature* 48(4): 935-963.

- Figlio, D. and M. Lucas (2004). "What's in a Grade? School Report Cards and the Housing Market." *American Economic Review* 94(3): 591-604.
- Jin, G. and P. Leslie (2003). "The Effect of Information on Product Quality: Evidence From Restaurant Hygiene Cards." *Quarterly Journal of Economics* 118(2): 515-548.
- Judd, K and M. Riordan (1994). "Price and Quality in a New Product Market." *Review of Economic Studies* 61(4): 773-789.
- Kane, T. and Staiger, D. (2002). "The Promise and Pitfalls of Using Imprecise School Accountability Measures." *Journal of Economic Perspectives* 16(4): 91-114.
- Mizala, A. and M. Urquiola (2013). "School Markets: The Impact of Information Approximating Schools' Effectiveness." *Journal of Development Economics* 103: 113-335.
- Shapiro, C. (1983). "Premiums for High Quality Products as Returns to Reputations." *Quarterly Journal of Economics* 98(4): 659-679.
- Wolinsky, A. (1983). "Prices as Signals of Product Quality." *Review of Economic Studies* 50(4): 647-658.

### **Class 9: Human Capital & Marriage**

- \*Chiappori, A., Iyigun, M. and Y. Weiss (2009). "Investment in Schooling and the Marriage Market." *American Economic Review* 99(5): 1689-1713.
- \*Choo, E. and A. Siow (2006). "Who Marries Whom and Why?" *Journal of Political Economy* 114(1): 175-201.
- \*Greenwood, Jeremy, Guner, Nezih, Kocharkov, Georgi, and Cezar Santos (2013). "Marry Your Like: Assortative Mating and Income Inequality." *AER P & P*.
- \*Eike, L., Mogstad, M., B. Zafar (2014). "Educational Assortative Mating and Household Inequality." *Federal Reserve Bank of New York Staff Reports*.
- Browning, Martin, Chiappori, Pierre-Andre, and Yoram Weiss (2010). "Chapter 7: Matching on the Marriage Market: Theory." *The Economics of the Family*.
- Becker, G. (1974). "A Theory of Marriage." Economics of the Family: Marriage, Children, and Human Capital. University of Chicago Press.
- Bursztyn L, Fujiwara T, Pallais A (2017). 'Acting Wife': Marriage Market Incentives and Labor Market Investments. *American Economic Review* 107 (11) :3288-3319.

Vogl, T. (2013). "Marriage Institutions and Sibling Competition: Evidence From South Asia." *Quarterly Journal of Economics* 128(3): 1017-1072.

Corno, L. and A. Voena (2015). "Selling Daughters: Age at Marriage, Income Shocks, and Bride Price Tradition." *Working Paper*.

Fernandez, R. and J. Wong (2011). "The Disappearing Gender Gap: The Impact of Divorce, Wages, and Preferences on Education Choices and Women's Work." *Working Paper*.

### **Class 10: Culture, Gender, & Human Capital**

\*Ashraf, N., Bau, N., Nunn, N. and A. Voena (2015). "Bride and Female Education." *Working Paper*.

\*Alesina, A., Guiliano, P. and N. Nunn (2013). "On the Origins of Gender Roles: Women and the Plough." *Quarterly Journal of Economics* 128(2): 469-530.

Bau, N. (2015). "Does Policy Crowd Out Culture?" *Working Paper*.

Fernandez, R. (2013). "Cultural Change as Learning: The Evolution of Female Labor Participation Over a Century." *American Economic Review* 103(1): 472-500.

Fernandez, R. (2014). "Women's Rights and Development." *Journal of Economic Growth* 19(1): 37-80.

Fernandez, R. and A. Fogli (2009). "Culture: An Empirical Investigation of Beliefs, Work and Fertility." *American Economic Journal: Macroeconomics* 1(1): 146-177.

Fernandez, R., Fogli, A. and C. Olivetti (2004). "Mothers and Sons: Preference Formation and Female Labor Force Dynamics." *Quarterly Journal of Economics* 119(4): 1249-1299.

### **Class 11: Student Prospectus Presentations (subject to change depending on course enrollment)**

### **Class 12: Student Prospectus Presentations**