ECO352H1 – The Economics of Inequality

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ECO352H1S, section L0101

Lectures: Monday, 10.00-12:00[1]	SS1069
Tutorials: Friday 12:00-2:00	SS2117

ECO352H1S, section L0201

Lectures: Monday, 2.00-4:00[1]	SS1085
Tutorials: Friday 12:00-2:00	SS2117

This version of syllabus: November 20, 2019

DESCRIPTION

Overview

Has global inequality increased or decreased? How do we measure inequality between countries, within countries, and between individuals? In most developed countries, economic inequality has risen to historic levels in recent decades, becoming one of the most pressing issues in the political debate and a key topic in economics. However, its analysis remains complex and multifaceted. In this course, we will use tools developed in economic theory and the most up-to-date empirical technics to (i) investigate and unfold the long term historical evolutions of economic inequality as well as recent trends, (ii) evaluate possible interventions and policies targeting inequalities. In this second part, we will look at the potential causes of the recent increase in economic inequality, and how they are affected by policy. We will focus on the role of traditional market forces (globalization, technological change) as well as the role of institutions (erosion of the minimum wage, role of unions). Finally, we will focus on labor income inequality, looking deeply into the role of race and gender in shaping disparities between individuals within countries. The entire course will cover various econometric methods which have been used in the most recent literature, giving the students a working knowledge of theories, empirical strategies, and policy solutions.

Learning Objectives

The primary objective of the course is to introduce students to the main theories and empirical methods used by economists to understand the scope and evolution of global inequality.

1. Gain an understanding of how inequality varies across countries and evolves over the path of development;
2. Gain an understanding of the theories that can explain the degree of economic inequalities and its dynamic, as well as the underlying debates in economic thought pertaining to inequality;
3. Develop a critical approach of the data and methods used to measure inequality;
4. Learn how to use primary sources of individual and aggregate data and extract key statistics;
5. Learn to apply econometric/statistical methods to describe, summarize, and estimate relationships between key labour market variables. This includes a critical understanding of the limits to attributing causality between these variables;
6. Communicate effectively, especially in written work.

The course is designed to support these learning outcomes, with a blended focus on basic modelling, "hands on" experience working with data, and opportunities to develop writing skills.

Prerequisites

Students must have the following prerequisites, as listed in the Calendar to take this course:

- *Intermediate Microeconomics*: (ECO200Y/ECO204Y/ECO206Y);
- *Intermediate Statistics*: (ECO220Y/ECO227Y/ (STA220H1, STA255H1)/ (STA237H1, STA238H1)/ (STA257H1, STA261H1);
- See: `https://fas.calendar.utoronto.ca/course/ECO352H1`

The Department of Economics checks prerequisites in all courses, and students who do not have them will be removed from the course.

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[1]Please make sure to read the section on "First Lecture".

Software

I strongly recommend that you acquire `Stata` (a common statistical package) and install it on your computer. This is a very standard statistical software used by the majority of economists. You can purchase a six-month license for `Stata` (approx. $CAD 65), available at:

- `https://www.stata.com/order/new/edu/gradplans/student-pricing/`

You can also use computers at Robarts Library 5-053.[2] No prior knowledge of `Stata` is required for this class. We will provide assistance and learning opportunities in tutorials. There are also many excellent online resources that you could familiarize yourself with, including:

- A tutorial from Patrick Blanchenay: `https://www.economics.utoronto.ca/blanchenay/`
- A tutorial from Princeton University: `https://data.princeton.edu/stata`
- `https://www.stata.com/links/resources-for-learning-stata/`

CLASS MEETINGS/CONTACT

Lectures & Tutorials

Regular meetings are scheduled for:

- **ECO352H1S, section L0101**
  - Lectures: Monday, 10.00-12:00,[3] SS1069
  - Tutorials: Friday 12:00-2:00, SS2117
- **ECO352H1S, section L0201**
  - Lectures: Monday, 2.00-4:00,[3] SS1085
  - Tutorials: Friday 12:00-2:00, SS2117

We will make extensive use of *both* time slots. Lectures are typically two hours per week in the Monday slot. The Friday slot will be used for a variety of purposes, including reviewing problem set questions, `Stata` tutorials, and workshops in support of the term paper. Details will be provided on Quercus.

First Lecture

The first lecture will exceptionally take place on **Friday, January 10th, 2020** from **12:00-2:00** and will replace the usual tutorial hours. There won't be tutorial hours prior to this lecture (i.e **no expected attendance on Friday, January 3rd, 2020**). The next lecture will take place according to the regular schedule on **Monday, January 13rd, 2020**.

Email

The use of email should be restricted to private matters, or to notify problems (e.g. broken links, typos, etc.). I will answer questions related to course materials in person during lectures or office hours.

- For e-mails asking for a reply, if I can answer briefly (e.g., requiring a one-sentence reply), then I will reply within two business days (except on weekends). If a response requires more detail, then class, tutorial, or office hours are the more appropriate forum;
- All email should originate from a utoronto email address, and include [ECO352H1S - L0101] or [ECO352H1S - L0201] in the subject field.
- Always identify yourself in your email. The email must have your name and student number.
- I will not respond to emails that request information that can be found on Quercus or the syllabus.
- Please also note that it is not appropriate to request marks, or the solutions to problem sets or midterm questions by email.

Office Hours

- Mondays, 4:30-5:30, Economics Department, Office #329.

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[2]See `https://mdl.library.utoronto.ca/technology/computer-lab`
[3]Please make sure to read the section on "First lecture" below.

Quercus

Announcements, tutorial problems, term paper materials, outlines of lectures, answers to in-class tests, and other course materials will be posted on Quercus.

REQUIRED READINGS

There is no textbook that covers all the material that we will see in class, so to succeed in this course it is essential to attend all the lectures. Lecture notes will be posted on the course website, but these notes are not comprehensive, so it is critical to be attentive and to take notes during lectures. Lectures are key to doing well in this course. The list of references at the end of the syllabus is not a compulsory reading list but some of these articles will be assigned throughout the course. Additional optional readings may be added, with links through Quercus.

STUDENT ASSESSMENT

Student grades are based on the following assessments:

Assessment	Date	Weight
Class Participation	Every Monday Lecture	10%
Replication exercise	Monday, February 10th	25%
Term Paper	Monday, March 23rd	25%
Final Exam	Final Exam Period	40%

Class Participation

The class participation grade is based entirely on the submission of very short writing assignments during the Monday lecture time, each week during the course. These assignments require students to provide short written answers to questions during class time. These in-class papers will be given at some point during each Monday lecture.

- I will collect in-class papers each week;
- In-class papers will be graded very coarsely (pass - one point / fail - zero point); zero points will be awarded to students who do not hand in a paper in class (no other way of submitting papers is accepted);
- The TEN best scores for a student will count, and will form the basis of the class participation grade. This accommodates for students unable to attend a lecture.

Replication exercise

This empirical assignment consists in replicating an empirical analysis pertaining to the issue of economic inequality using `Stata`. You will be asked to submit your codes ("do-files") in the `.do` format, as well as the formatted tables and figures of the replication exercise with interpretations in a separate `.pdf` document. Students are allowed to work on this exercise in groups, but each student should submit her own code and her own written analysis. Please refer to the Academic integrity section. Details of the required analysis and the dataset will be provided during the first in the course.

Term Paper

Details of the Term Paper assignment will be provided later in the course. At this point, however, I can provide a sketch of the nature of the assignment, as well as the associated deadlines and ground rules. You would be expected to perform a simple empirical analysis on `Stata` and a technical summary of two assigned papers. I will provide you with a structure of this technical summary (also called "referee report") in class. The total should not be more than 2000 words.

Final Examination

The final exam will be held in the Faculty of Arts & Science final exam period, and covers the entire course. If you miss the final exam you are governed by the Faculty's rules for missing final examinations.

Problem Sets

In order to be prepared to both the midterm and the final exam, it is important to do practice problems. To help with this, we will assign regular problem sets. Solutions to the problems will not be made available, except in tutorials, nor will the problem sets be graded. The objective is to provide tangible "homework" (including practice with `Stata`) to help guide your own learning, especially in support of the Term Paper and Final Exam.

Academic integrity

Academic integrity is essential to the pursuit of learning and scholarship in a university, and to ensuring that a degree from the University of Toronto is a strong signal of each student's individual academic achievement. As a result, the University treats cases of cheating and plagiarism very seriously. The University of Toronto's Code of Behaviour on Academic Matters[4] outlines the behaviours that constitute academic dishonesty and the processes for addressing academic offences. Potential offences include, but are not limited to:

- In papers and assignments:
  - Using someone else's ideas or words without appropriate acknowledgement. This includes verbatim copying of any lecture notes distributed by the instructor.
  - Submitting your own work in more than one course without the permission of the instructor.
  - Making up sources or facts.
  - Obtaining or providing unauthorized assistance on any assignment, including from paid or non-paid tutors.
- On tests and exams:
  - Using or possessing unauthorized aids, including smartphones.
  - Looking at someone else's answers during an exam or test.
  - Misrepresenting your identity.
- In academic work:
  - Falsifying institutional documents or grades.
  - Falsifying or altering any documentation required by the University, including (but not limited to) doctor's notes

Please have a look at these sections on Perils and Pitfalls
`http://academicintegrity.utoronto.ca/perils-and-pitfalls`
and Smart Strategies `http://academicintegrity.utoronto.ca/smart-strategies`. Also, see the U of T writing support website at `https://writing.utoronto.ca/`. The term paper must be submitted for review through Turnitin (integrated with Quercus).

  University disclaimer concerning Turnitin: "Normally, students will be required to submit their course essays to Turnitin.com for a review of textual similarity and detection of possible plagiarism. In doing so, students will allow their essays to be included as source documents in the Turnitin.com reference database, where they will be used solely for the purpose of detecting plagiarism. The terms that apply to the University's use of the Turnitin.com service are described on the Turnitin.com web site."

Accommodations for Religious Observances

As a student at the University of Toronto, you are part of a diverse community that welcomes and includes students and faculty from a wide range of cultural and religious traditions. For my part, I will make every reasonable effort to avoid scheduling tests, examinations, or other compulsory activities on religious holy days not captured by statutory holidays. Further to University Policy, if you anticipate being absent from class or missing a major course activity (such as a test or in-class assignment) due to a religious observance, please let me know as early in the course as possible, and with sufficient notice (at least two to three weeks), so that we can work together to make alternate arrangements.

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[4] `https://governingcouncil.utoronto.ca/secretariat/policies/code-behaviour-academic-matters-july-1-2019`

Ongoing Learning Disabilities or Accommodation Requirements

Students with diverse learning styles and needs are welcome in this course. If you have an acute or ongoing disability issue or accommodation need, you should register with Accessibility Services (AS) at the beginning of the academic year by visiting `http://www.studentlife.utoronto.ca/as/newregistration`. Without registration, you will not be able to verify your situation with your instructors, and instructors will not be advised about your accommodation needs. AS will assess your situation, develop an accommodation plan with you, and support you in requesting accommodation for your course work. Remember that the process of accommodation is private: AS will not share details of your needs or condition with any instructor, and your instructors will not reveal that you are registered with AS.

Missed Term Work

You are expected to complete all required work as scheduled in the Student Assessment section. You do not need to provide medical documentation or reasons for missing in-class papers or lectures: the accommodation for missed lectures is accounted for entirely by the requirement of only ten tests. Accommodations for missing more than 2 lectures are extremely limited: (A) an ongoing and substantial injury, illness, or personal/family problem seriously affecting the student's ability to complete term work across all courses over an extended period of time, where the student's College Registrar[5] writes to each professor after reviewing the documentation and meeting with the student; or (B) more than one conflict not related to injury, illness or personal/family problems where I am contacted by the student very far in advance. In these limited situations, I will consider whether accommodations can still meet all course requirements or whether the student must be advised to drop the course and retake it when able to complete the required work. Regarding home assignments, a student who misses an assignment deadline should come forward to me in the course as soon as possible, and no later than one week after returning to class, or should notify to me by email if the absence is extended beyond one week. Normally, I will ask you for medical documentation in support of your specific medical circumstances. The University's Verification of Student Illness or Injury (VOI) form is recommended because it indicates the impact and severity of the illness, while protecting your privacy about the details of the nature of the illness. You can submit a different form (like a letter from a doctor), as long as it is an original document, and it contains the same information as the VOI. For more information, please see `http://www.illnessverification.utoronto.ca`. If you get a concussion, break your hand, or suffer some other acute injury, you should register with Accessibility Services as soon as possible

Late Penalties

Term Papers are due by the beginning of class on Monday March 23rd. In the absence of medical documentation, a late penalty of 5 percentage points per calendar day will be applied, starting with the deadline on March 23rd. As stated above, a student who misses an assignment deadline should come forward to me in the course as soon as possible, and no later than one week after returning to class, or should notify to me by email if the absence is extended beyond one week.

Appeal Procedure

If after receiving your graded term paper assignment you believe that there is an error in grading, the following procedure will apply:

- Your request must be in writing, with a detailed explanation. With direct reference to your paper and the grading rubric, you must explain why your score should be higher.
- Appeals must be submitted by email to me no later than one week after the grades are released. The specific deadline will be announced on the portal when the assignments are graded.
- The entire paper will be re-graded. Thus, it is possible to lose points as well as to gain points through re-grading.
- If you do submit your examination for reevaluation, do not write on your exam or alter it in any way. If you do so, this may be considered a violation of the Academic Regulations and Code of Student Conduct. If you do not follow these instructions, your exam will not be regraded.

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[5]For ongoing injury, illness, or personal/family problems you must contact your College Registrar[6] immediately.

Mental Health and Well-Being

As a student, you may experience challenges that can interfere with learning, such as strained relationships, increased anxiety, substance use, feeling down, difficulty concentrating and/or lack of motivation, financial concerns, family worries and so forth. These factors may affect your academic performance and/or reduce your ability to participate fully in daily activities. Everyone feels stressed now and then – it is a normal part of university life. Some days are better than others, and there is no wrong time to reach out. There are resources for every situation and every level of stress. There are many helpful resources available through your College Registrar or through Student Life (`http://studentlife.utoronto.ca` and `http://www.studentlife.utoronto.ca/feeling-distressed`). An important part of the University experience is learning how and when to ask for help. Please take the time to inform yourself of available resources.

Course content (subject to change)

I.   Introduction

1. Inequality in the economic thought

2. Inequality in public policies

3. Can we measure preferences for inequality? Normative concerns on inequality

II.   Measuring economic inequality: historical evolution and recent trends

1. The evolution of inequality between countries and individuals

Methodology: Gini coefficient and its limits, the three concepts of global inequality

2. How can we measure inequality?

Methodology: Pareto interpolation, DINA

III.   Capital and Inequality

1. Private and public capital

2. Global wealth inequality

3. Global inequality and growth

IV.   Why has inequality increased? The role of market forces

1. Migration, technology, education

Methodology: Wage regressions

V.   Why has inequality increased? The role of institutions

1. Intergenerational mobility (optional)

2. The role of unions

Methodology: Decomposition methods

3. The role of minimum wage

Methodology: Instrumental variable

VI.   Labor income inequality

1. Gender inequality

Methodology: Lab experiments, Oaxaca-Blinder Decomposition (optional)

2. Racial economic disparities

Methodology: Randomized Control Trials

Ressources

Online tools:

- Our world in data `https://ourworldindata.org/`

- Mapping inequality `https://dsl.richmond.edu/panorama/redlining/#loc=5/36.8/-95.249`

- World Inequality Data Base `https://wid.world/`

- World Bank Open Data `https://data.worldbank.org/`

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