

# ECO367H1 – The Economics of Inequality

Winter 2023

University of Toronto  
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## Section L0101

Lectures Monday, 3.10 - 5:00<sup>1</sup>  
Tutorials Wednesday 1:00 - 2:00

This version of syllabus: December 14, 2022

## 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);
- ECO372 is highly recommended.
- See: <https://fas.calendar.utoronto.ca/course/ECO367h1>

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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<sup>1</sup>Please make sure to read the section on “First Lecture”.

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## Software

The use of **Stata** (a common statistical package) is required for the assignments. 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.<sup>2</sup>

Please contact your TA if you are facing difficulties acquiring it. 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/>

Remember that you are expected to complete several assignments using this software so don't wait until the last week to start using it.

## I. COURSE CONTENT

The class content will be provided via lectures, podcast episodes and compulsory readings.

### 1. Lectures

#### ECO367, section L0101

- Monday, 3.10-5:00<sup>1</sup>

The slides for each lecture will be posted in advance on Quercus. Lectures typically last for 1:50 minutes with room for discussions. The active engagement of each student is expected during the weekly discussions. Participation accounts for 5 percent of the final grade. For the first lectures, I will post the recorded lectures on Quercus as per the Economics department policy. Recorded lectures will be videos that are typically less than an hour long (probably around 40 minutes).

### 2. Podcast

The logo for 'INEQUALITY TALKS' is displayed in white text on an orange rectangular background. The word 'INEQUALITY' is in all caps, followed by a white symbol resembling a crossed-out equals sign, and then the word 'TALKS' in all caps.

- The course also builds upon episodes of **InequalityTalks**, a podcast I created to present accessible research done by young economists on inequality.
- The podcast is free access here: <https://inequalitalks.fireside.fm/> and on Apple Podcast, Spotify, and most podcast apps.
- Several episodes will be assigned and will supplement the weekly readings. They will also serve as basis for discussion during the Class Meetings.
- Part of my goal in recording this series is to demystify economics and to present some of the tools that economists use in their research. So, in every episode, there will be a sequence called la “**minute technique**”, where researchers will explain one technical aspect of their work in one minute.
- These sequences are therefore part of the preparation to the final exam.

### 3. 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 watch all the recorded lectures and to participate to the course activities. Lecture notes will be posted on Quercus as well as required readings. 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 references are also specified for each week, with links through Quercus.

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<sup>2</sup>See <https://mdl.library.utoronto.ca/technology/computer-lab>

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## II. MEETINGS

Regular meetings are scheduled for:

- **ECO367H1S, section L0101**
  - Lectures and Discussions: Monday, 3.10-5:00<sup>1</sup>
  - TA-led Tutorials: Wednesday 1:10-2:00

### 1. Lectures and Discussions

In each meeting, you will submit a quick written assignment on the lecture's content (see the Student Assessment section). During the class discussions, you will be assigned to a group. Each group will be asked to perform a specific task or to lead a discussion based on the course content and the readings/podcast of the week. In your groups, you will determine a time-keeper and someone in charge of presenting the group contribution. You are expected to engage with one another with respect and trust, to be attentive and to take notes during discussions. We will finish with a Q&A session.

### 2. TA-led Tutorials

The 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. The tutorials will be led by your teaching assistant.

Alexander Hempel [alex.hempel@mail.utoronto.ca](mailto:alex.hempel@mail.utoronto.ca)

### 3. First Lecture

The first lecture will take place **online** on Monday, January 9th, 2022 from **3:10-5:00**.

- <https://us02web.zoom.us/j/81539469318?pwd=T2NwSmNTTWUxL05TVUdLZFpSYVpmdz09>
- Meeting ID: 815 3946 9318
- Passcode: 671407

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## COURSE POLICY

### 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.

- First, ask your **Teaching Assistant**:

Alexander Hempel `alex.hempel@mail.utoronto.ca`

- 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;
- Use the Quercus “Inbox” functionality to contact instead of regular email.
- 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, 2:00-3:00pm
- Economics Department, #329 or via Zoom.
- Appointments (15 minutes) must be made online through Google Calendar (link on Quercus).
- No drop-in.

### Quercus

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

### STUDENT ASSESSMENT

Student grades are based on the following assessments:

Assessment	Date	Weight
Weekly Short Written Assignment	Every Monday Lecture	10%
Class Participation + podcast takeaways	Every Monday Lecture	10%
Empirical Exercise	Friday, February 10th	20%
Term Paper	Friday, March 17th	25%
Final Exam	Final Assessment Period	35%

Assignments will be posted on Quercus and students will also submit their work on Quercus.

### Short Written Assignment

These in-class papers will be given at some point during each Monday lecture. The in-class tests begin the second class, January 16th, 2023. Further details:

- I will collect questions each week;
- Questions 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. This accommodates for students unable to attend a lecture.

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## Readings/Podcast takeaways

In preparation for in-class discussions, you are expected to write up four main takeaways for each assigned article or podcast episode.

- I will randomly collect some papers each week so you are expected to bring them in class.

## Empirical 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 an assigned papers. Details of the required analysis and the dataset will be provided during the first in the course.

## Final Examination

The final exam will be held in the Faculty of Arts & Science Final Assessment 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<sup>3</sup> 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.
  - Communicating with someone else during an exam or test.
  - Misrepresenting your identity.
- In academic work:

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<sup>3</sup><https://governingcouncil.utoronto.ca/secretariat/policies/code-student-conduct-december-13-2019>

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- 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

<https://www.academicintegrity.utoronto.ca/perils-and-pitfalls/>

and Smart Strategies <https://www.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.

### **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. Students cannot petition to re-write a quiz/test once the test has begun. If you are feeling ill, please do not start the online or in-class test, seek medical attention immediately, and the policy on Missed Term Work will apply.

### **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 synchronous activities: the accommodation for missed weekly online discussions is accounted for entirely by the requirement of only ten written 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<sup>4</sup> 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 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 the due date, or should notify to me by email if the absence is extended beyond one week. The University is temporarily suspending the need for a doctor's note or medical certificate for any absence from academic participation if you are experiencing COVID-19 symptoms.

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<sup>4</sup>For ongoing injury, illness, or personal/family problems you must contact your College Registrar <http://studentlife.utoronto.ca/hello/people> immediately.

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However, this policy may change at any point during the course. If you missed your test for a reason connected to your registered disability, the department will accept documentation supplied by Accessibility Services. If you visited a Dentist, Nurse/Nurse Practitioner, Physician/Surgeon, Psychologist, Psychotherapist or Social Worker registered and licensed in the Province of Ontario, have them fill out the University's Verification of Student Illness or Injury form. In other cases, a Verification of Extenuating Circumstances form is acceptable. Other documentation can include, but is not limited to, automobile collision or police reports, death certificates, and supporting documentation from employers, lawyers and other related personnel.

### **Late Penalties**

Assignments (empirical exercise and term papers) are due on Friday February 10th and on Friday March 17th respectively. In the absence of medical documentation, a late penalty of 5 percentage points per calendar day will be applied, starting with the deadline of the assignment. 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 via MS Form to me no later than two weeks 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.

### **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.

### **Recommendation Letter**

If you contact me for recommendation letters, make sure to:

- contact me *at least* ten days in advance before the submission deadline
- clearly indicate the due date
- clearly indicate the submission process (website, submission link)
- attach your updated resume and your most recent transcript.

I will write recommendation letters only to students with a grade of A- or more.

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COURSE CONTENT

PART I

WEEK 1: INTRODUCTION JAN 9

Readings:

- InequalityTalks Episode 1 with Michael Stepner.

WEEK 2: NORMATIVE APPROACHES OF INEQUALITY JAN 16

Readings:

- “The difference principle”, ?

WEEK 3: MEASURING ECONOMIC INEQUALITY: HISTORICAL EVOLUTION AND RECENT TRENDS JAN 23

Readings:

- InequalityTalks Episode 3 with Lydia Assouad
- (Optional) ?

WEEK 4: CORE CONCEPTS: INCOME AND CAPITAL JAN 30

WEEK 5: TRENDS IN INEQUALITY BETWEEN COUNTRIES FEB 6

Readings:

- InequalityTalks Episode 5 with Yajna Govind

WEEK 6: GLOBAL INCOME INEQUALITY DYNAMICS FEB 13

Readings:

- ?

READING WEEK, NO CLASS FEB 20

PART II

WEEK 7: EDUCATION AND THE COLLEGE WAGE PREMIUM FEB 27

Readings:

- InequalityTalks Episode 6 with Kadeem Noray

WEEK 8: THE ROLE OF TECHNOLOGY AND AUTOMATION MAR 6

Readings:

- ?

WEEK 9: GLOBALIZATION AND INEQUALITY MAR 13

Readings:

- ?



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WEEK 10: THE ROLE OF MINIMUM WAGE, MARKET POWER, AND UNIONS - TERM PAPER DUE      MAR 20

Readings:

- InequalityTalks Episode 20 with Anna Stansbury

WEEK 11: GENDER INEQUALITY      MAR 27

Readings:

- InequalityTalks Episode 8 with Heather Sarsons

WEEK 12: RACIAL INEQUALITY      APRIL 3

Readings:

- InequalityTalks Episode 21 with Evan K. Rose

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## 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/>