

# PP 41720: Discrimination in the Labor Market

**Instructor:** Dan Black, [danblack@uchicago.edu](mailto:danblack@uchicago.edu)

**Office:** Keller #3047

**Drop-in office hours:** Tuesday, 9:30 – 10:50 a.m. Also, by appointment: please contact my administrator Lydia Veliko at [lydiav@uchicago.edu](mailto:lydiav@uchicago.edu) to schedule an appointment.

**Teaching Assistant:** Nidhaan Jain, [nidhaan.jain@chicagobooth.edu](mailto:nidhaan.jain@chicagobooth.edu)

**Class Time:** Tuesday-Thursday: 11:00 to 12:20, Room 010

Discussion section: Friday 1:30 to 2:50, Room 023

## Harris Integrity Policy for Problem Sets Involving Programming Code

Academic dishonesty will not be tolerated. If you commit plagiarism, you may receive an F and be referred to the Area Disciplinary Committee. All work must be your own. **Do not:**

- Show other students your answers or code
- Ask for another student's answers or code

Every submission begins with “This submission is my work alone and complies with the 31202 integrity policy. Add your initials to indicate your agreement: \*\* \_\_ \*\*”

How should you collaborate? You can clarify ambiguities in problem set questions, discuss conceptual aspects of problem sets, show output on screen (e.g., a graph or table), and show helpful documentation files.

## Course Objectives

“Education should not be intended to make people comfortable, it is meant to make them think.”

Hanna H. Gray, 9<sup>th</sup> President of the University Chicago, 1978 to 1993

- To introduce students to basic models of labor market discrimination
- To help students understand the role of models in understanding economic phenomena and drawing causal inference
- To provide students with a basic understanding of the empirical relationships among race, ethnicity, sex, and labor market outcomes
- To provide students with the skills to understand when differences in outcomes reflect discrimination, disadvantage or other factors

## Text

None, but there are readings for each lecture.

**Optional:** If you really want to make an economist rich, buy:

- Kevin Lang, *Poverty and Discrimination* Princeton, NJ: Princeton University Press, 2007.

I'm sure Kevin will appreciate his share of the \$43.07 you would pay on Amazon.

## Grades

We will assign grades for this course on the basis of homework assignments given throughout the term and a midterm.

	<u>Scheduled</u>	<u>Fraction of grade</u>
<b>Homeworks</b>	Various	60%
<b>Midterm</b>	November 11 <sup>th</sup>	40%
<b>Total</b>		100%

If you believe that your grade on an assignment is incorrect or unfair, please submit your concerns in writing to the TA within a week of it being returned. Explain fully in writing why you believe what the problems are. If you still have concerns, you may submit them in writing to me.

<b>Grade</b>	<b>Fraction</b>
A	33%
A-	34%
B+ and below	33%

**Homework:** Homework will be done individually. Feel free to talk to classmates in general terms about the homework, but do not copy their answers!

**Professional behavior:** The Harris School expects faculty, staff, and students to behave always in a professional manner. Students engaged in unprofessional behavior will be reported to Academic and Student Affairs for disciplinary action. Please report any inappropriate behavior to your instructors.

**Title IX Reporting Responsibilities:** Your instructor and TA for this class are designated as “responsible employees” under the US law known as Title IX. We have a duty to report incidents of sexual harassment, including sexual violence, domestic violence, dating violence, and stalking, or other misconduct to appropriate school officials.

## Tentative Schedule

<b>Date:</b>	<b>Lecture:</b>
<b>September</b>	
27 <sup>th</sup>	L1 – Exchange
29 <sup>th</sup>	Exchange and L2 – Human capital
<b>October</b>	
4 <sup>th</sup>	Human capital
6 <sup>th</sup>	Human capital
16 <sup>th</sup>	Human capital
13 <sup>th</sup>	Human capital
18 <sup>th</sup>	L3 – Earnings gaps
20 <sup>th</sup>	Earnings gaps
25 <sup>th</sup>	Earnings gaps and L4 – Discrimination models of Becker
27 <sup>th</sup>	Discrimination models of Becker
<b>November</b>	
1 <sup>st</sup>	Discrimination models of Becker
3 <sup>rd</sup>	L5 – Statistical discrimination models
8 <sup>th</sup>	Statistical discrimination models
9 <sup>th</sup>	Statistical discrimination models & L6 – Premarket discrimination
10 <sup>th</sup>	Premarket discrimination
11 <sup>th</sup>	<b>Midterm in the discussion session</b>
15 <sup>th</sup>	L7 – Discrimination on the basis of sex
17 <sup>th</sup>	Discrimination on the basis of sex
22 <sup>nd</sup>	<b>Thanksgiving break</b>
24 <sup>th</sup>	<b>Thanksgiving break</b>
29 <sup>th</sup>	Discrimination on the basis of sex
<b>December</b>	
1 <sup>st</sup>	Discrimination on the basis of sex
2 <sup>nd</sup>	<b>Final Homework Project Due</b>

## Reading assignments

### **Lecture 1: Exchange**

Deeper dives:

Roger B. Myerson and Mark A. Satterthwaite. 1983. "Efficient Mechanisms for Bilateral Trading" *Journal of Economic Theory* 29 265-81

### **Lecture 2: Human capital**

David J. Demming. 2022. "Four Facts about Human Capital" *Journal of Economic Perspectives* 36(3) 75-102.

Deeper dives:

Gary S. Becker. 1964. *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education*. Cambridge, MA: Harvard University Press.

Claudia Goldin and Lawrence F. Katz. 2008. *The Race between Education and Technology*. Cambridge, MA: Belknap Press.

### **Lecture 3: Beckerian models of discrimination**

Required:

Kevin Lang and Ariella Kahn\_Lang Spitzer. 2020. "Race Discrimination: An Economic Perspective" *Journal of Economic Perspectives* 34(2) 68-89.

Deeper dives:

Joseph G. Altonji and Rebecca M. Blank. 1999. "Race and Gender in the Labor Market" *Handbook of Labor Economics* Amsterdam: Elsevier.

Gary S. Becker. 1957. *The Economics of Discrimination* Chicago: The University of Chicago Press.

Kerwin K. Charles and Jonathan Guryan. 2008. "Prejudice and The Economics of Discrimination" *Journal of Political Economy* 116(5) 773–809.

## **Lecture 4: Earnings gaps and discrimination:**

Required:

Dan Black, Natalia Kolesnikova, Seth Sanders, and Lowell Taylor. 2013. "The Role of Location in the Measuring Black-White Wage Disparity" *IZA Journal of Labor Economics* 2(2).

James P. Smith and Finis R. Welch. 1989. "Black Economic Progress after Myrdal" *Journal of Economic Literature* 27 (2) 519–64

Deeper dives:

Dan A. Black, Amelia Haviland, Seth G. Sanders, and Lowell J. Taylor. 2006. "Why Do Minority Men Earn Less? A Study of Wage Differentials among the Highly Educated" *Review of Economics and Statistics* 88(2) 300–313.

William J. Collins and Marianne H. Wanamaker. 2022. "African American Intergenerational Economic Mobility since 1880" *American Economic Journal: Applied Economics* 14(3) 84-117.

Glenn C. Loury. 1998. "Discrimination in the Post-Civil Rights Era: Beyond Market Interactions." *Journal of Economic Perspectives* 12(2) 117–26.

David Neumark. 2018. "Experimental Research on Labor Market Discrimination" *Journal of Economic Literature* 56(3) 799-866.

## **Lecture 5: Statistical discrimination**

Required:

Kenneth J. Arrow. 1998. "What Has Economics to Say about Racial Discrimination?" *Journal of Economic Perspectives* 12(2) 91-100.

Deeper dives:

Joseph G. Altonji. 2005. "Employer Learning, Statistical Discrimination and Occupational Attainment" *American Economic Review* 952 112–17.

Joseph G. Altonji and Charles R. Pierret. 2001. "Employer Learning and Statistical Discrimination" *Quarterly Journal of Economics* 116(1) 313–50.

J. Aislinn Bohren, Kareem Haggag, Alex Imas, and Devin G. Pope "Inaccurate Statistical Discrimination: An Identification Problem." *NBER Working Paper No. 25935* June 2019, Revised July 2020

J. Aislinn Bohren, Alex Imas, and Michael Rosenberg “The Dynamics of Discrimination: Theory and Evidence” *American Economics Review* 109(10) October 2019 3395-436.

J. Aislinn Bohren, Peter Hull, and Alex Imas. “Systemic Discrimination: Theory and Measurement” March 7, 2022.

Kevin Lang and Yee-Yeon K. Lehmann. “Racial Discrimination in the Labor Market: Theory and Empirics” *Journal of Economic Literature* 50(4) 959-1006.

Shelly J. Lundberg and Richard Startz. 1983. “Private Discrimination and Social Intervention in Competitive Labor Markets” *American Economic Review* 73(3) 340–7.

Edmund S. Phelps. 1972. “The Statistical Theory of Racism and Sexism” *American Economic Review* 62(4) 659–61.

## **Lecture 6: Premarket discrimination**

Required:

June O’Neill. 1990. “The Role of Human Capital in Earnings Differences between Black and White Men.” *Journal of Economic Perspectives* 4(4) 25–45.

Derek A. Neal and William R. Johnson. 1996. “The Role of Premarket Factors in Black–White Wage Differences.” *Journal of Political Economy* 104(5) 869–95.

Deeper dives:

Kevin Lang and Michael Manove. 2011. “Education and Labor Market Discrimination.” *American Economic Review* 101(4) 1467–96.

James P. Smith and Finis R. Welch. 1989. “Black Economic Progress after Myrdal.” *Journal of Economic Literature* 27(2) 519–64.

## **Lecture 7: Discrimination on the basis of sex**

Required:

Chinhui Juhn and Kristin McCue. 2017. “Specialization Then and Now: Marriage, Children, and the Gender Earnings Gap across Cohorts” *Journal of Economic Perspectives* 31(1) 183-204

Carolyn Sloane, Erik Hurst, and Dan Black. 2021. “A Cross-cohort Analysis of College Major, Occupations and the College Gender Wage Gap” *Journal of Economic Perspectives* 35(4) 223-48.

Deeper dives:

John M. Barron, Dan A. Black, and Mark A. Loewenstein. 1993. "Gender Differences in Training, Capital, and Wages" *Journal of Human Resources* 28, 343-364.

Marianne Bertrand. 2020. "Gender in the Twenty-First Century." *AEA Papers and Proceedings*, 110(5) 1–24

Marianne Bertrand, Patricia Cortes, Claudia Olivetti, and Jessica Pan. 2020. "Social Norms, Labor Market Opportunities, and the Marriage Gap between Skilled and Unskilled Women." *Review of Economic Studies*,

Dan Black, Amelia Haviland, Seth Sanders, and Lowell Taylor. 2008. "Gender Wage Disparities among the Highly Educated" *Journal of Human Resources* 42(3) 630-59.

Dan Black, Natalia Kolesnikova and Lowell Taylor. 2014. "Why do so Few Women Work in New York (and so many in Minneapolis)? Labor Supply of Married Women across U.S. Cities" *Journal of Urban Economics* 70 59-71.

Francine D. Blau and Lawrence M. Kahn. 2017. "The Gender Wage Gap: Extent, Trends, and Explanations." *Journal of Economic Literature* 55(3) 789–865.

Claudia Goldin, Lawrence F. Katz, and Ilyana Kuziemko, 2006. "The Homecoming of American College Women: The Reversal of the College Gender Gap" *Journal of Economic Perspectives* 20(4) 133–156.

Chinhui Juhn and Kristin McCue. 2016. "Selection and Specialization in the Evolution of Marriage Earnings Gaps." *RSF: The Russell Sage Journal of the Social Sciences* 2(4) 237–69.

Chinhui Juhn and Simon Potter. 2006. "Changes in Labor Force Participation in the United States" ?" *Journal of Economic Perspectives* 20(3) 27-46.

Judith K. Hellerstein, David Neumark, and Kenneth R. Troske. 1999. "Wages, Productivity, and Worker Characteristics: Evidence from Plant-Level Production Functions and Wage Equations" *Journal of Labor Economics* 17(3) 409–46.

Judith K. Hellerstein, David Neumark, and Kenneth R. Troske. 2003. "Market Forces and Discrimination" *Journal of Human Resources* 37(2) 353-80.