

Econ 401 Senior Seminar: Labor Market Discrimination

Fall 2011

MWF 9:00

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This is the “capstone” class for the economics major. Having taught you some economics, we now ask you to apply your skills to researching a particular topic. You have learned the tools of economics, and you can now apply those tools and do what economists do: use economic theory and empirical evidence to answer a question of interest. This is not a class where most of the learning occurs through lectures; instead this class is designed to allow you to explore the topic through discussion of readings and presentation of your own research.

The topic for this seminar is labor market discrimination. We will explore the theory and measurement of discrimination, and then look more closely at two groups, women and African Americans.

Goals

1. Bring together the economics you’ve learned in the past three years and begin to do economics.
2. Reinforce and improve your econometrics and Stata skills.
3. Develop your ability to do independent research.
4. Learn to define and measure labor market discrimination.

Readings

Class discussion of texts will be an important part of what we do. Most days there is a reading, which we will discuss in class. For this to work, you must do the reading. As an incentive to do so, there will be occasional quizzes. Each student will lead class discussion on one of the papers.

You will buy the following books:

Gary Becker, *The Economics of Discrimination*, 2nd ed., Univ. of Chicago Press, 1971

Melvin Oliver and Thomas Shapiro, *Black Wealth, White Wealth: A New Perspective on Racial Inequality*, Routledge, 1995

Other readings will be posted on Moodle.

Assignments

1. Exams

There will be three exams during the semester, but no final exam.

2. Research Paper

The most important assignment for this class is the research paper, which will involve analysis of data. The paper should be around 10-12 pages (not counting figures and tables).

Instead of asking you to work on your paper over the whole semester (which rarely happens anyway), we will devote one week of classtime to intensive work on the paper. You will have the week before Thanksgiving to concentrate on the paper. We will not meet as a class, but I will ask you to meet with me individually sometime during that week.

Presentation: During the last two weeks of class you will present your research to the rest of the class. Your presentation should be 10-15 minutes.

Some Example Paper Topics:

You should choose a topic related to labor market discrimination, broadly understood. A good way to choose a paper topic is to take the reading that interested you the most and do something similar.

- Examine the wage gap by gender or race.
 - How has the gap changed over time?
 - How do racial wage gaps vary by gender, education, age, etc?
 - How do gender gaps vary by race, marital status, family size, age, etc?Data: CPS, Census, or ACS, all available at IPUMS
- What do more recent data suggest about the differences in time use between married men and married women, or parents and non-parents?
Data: Time Use Survey

3. *Leading Class Discussion*

Each student will lead the class discussion on one of the readings. Your job is not to explain the paper to the class, but to generate discussion. You might pose some questions and ask your classmates to answer them individually or in groups. Feel free to do something creative like play a game. You do not have to use the whole period, but you should use at least 30 minutes.

4. *Data Labs*

To improve your data analysis skills and your Stata skills, there will be four data labs. My goal is for you to be able to carry out an empirical investigation from start to finish, including obtaining data, cleaning the data, running Stata, and interpreting the output.

5. *Participation*

You are expected to attend class, think carefully about the readings, and contribute to class discussions. I will use homework and quizzes evaluate whether you are keeping up with reading, and these will count toward the participation grade.

Your grade will be based on the following formula:

Three Exams	15% each
Research Paper (Presentation 5%; Final Paper 25%)	30%
Data Labs + Leading Class Discussion	15%
Participation, Quizzes, and Homework	10%

Outline of the Class

A. Theory

1. Becker and Wage Discrimination

Becker, *The Economics of Discrimination*, Ch. 1 – 6

2. Crowding

Barbara Bergmann, "The Effect on White Incomes of Discrimination in Employment," *Journal of Political Economy*, 1971, 79:294-313.

Additional References:

Bergmann, Barbara, "Occupational Segregation, Wages and Profits when Employers Discriminate by Race or Sex," *Eastern Economic Journal*, 1974, 1:103-110

3. Statistical Discrimination

Classroom game at veconlab.econ.virginia.edu

Additional References:

Roland Fryer, Jacob Goeree, and Charles Holt, "Experience-Based Discrimination: Classroom Games," *Journal of Economic Education*, Spring 2005, 36:160-170

Kenneth Arrow, "The Theory of Discrimination," in Ashenfelter and Rees, eds., *Discrimination in Labor Markets*, Princeton: Princeton University Press, 1971, pp. 23-32.

Aigner and Cain, "Statistics Theories of Discrimination in Labor Markets," *Industrial and Labor Relations Review*, 1977, 30:175-187

E. S. Phelps, "The Statistical Theory of Racism and Sexism," *American Economic Review*, 1972, 62:659-661

Michael Sattinger, "Statistical Discrimination with Employment Criteria," *International Economic Review*, Feb. 1998, 39:205-237

4. How does Discrimination Really Work?

Claude Steele and Joshua Aronson, "Stereotype Threat and the Intellectual Test Performance of African Americans," *Journal of Personality and Social Psychology*, 1995, 69:797-811

Muriel Niederle and Lise Vesterlund, "Do Women Shy Away from Competition? Do Men Compete Too Much?" *Quarterly Journal of Economics*, Aug. 2007, 122:1067-1102

Additional References:

Barber, Brad, and Odean, Terrance, "Boys Will Be Boys: Gender, Overconfidence, and Common Stock Investment," *Quarterly Journal of Economics*, Feb. 2001, 116:261-292

Roland Fryer, Steven Levitt, and John List, "Exploring the Impact of Financial Incentives on Stereotype Threat: Evidence from a Pilot Study," *American Economic Review*, 2008, 98:2, 370-375

Uri Gneezy, Muriel Niederle, Aldo Rustichini, "Performance in Competitive Environments: Gender Differences," *Quarterly Journal of Economics*, August 2003, 118:1049

Claude Steele, "A Threat in the Air: How Stereotypes Shape Intellectual Identity and Performance" *American Psychologist*, 1997, 52:613-629

B. Evidence

1. Wage Regressions with Dummy Variables

Daniel Hamermesh and Jeff Biddle, "Beauty and the Labor Market," *American Economic Review*, Dec. 1994, 84:1174-1194

Additional References:

Dan Black, Hoda Maker, Seth Sanders, and Lowell Taylor, "The Earnings Effects of Sexual Orientation," *Industrial and Labor Relations Review*, 2003, 56:449-469.

Barry Chiswick, "An Analysis of the Earnings and Employment of Asian-American Men," *Journal of Labor Economics*, 1983, 1:197-214.

Arthur Goldsmith, Darrick Hamilton, and William Darity, Jr., "Shades of Discrimination: Skin Tone and Wages," *American Economic Review*, May 2006, p. 242-245

2. The Oaxaca Decomposition

Robert Margo, *Race and Schooling in the South, 1880-1950: An Economic History*, Univ of Chicago Press, 1990, Ch. 4 "Teacher Salaries in Black and White"

Additional References:

Alan Blinder, "Wage Discrimination: Reduced Form and Structural Estimates," *Journal of Human Resources*, 1973, 8:436-455

Claudia Goldin, *Understanding the Gender Gap*, Oxford Univ. Press, 1990, Ch. 4, pp. 83-90.

Ronald Oaxaca, "Male-Female Wage Differentials in Urban Labor Markets," *International Economic Review*, Oct. 1973, 14: 693-709

3. Audit Studies

David Neumark, Roy Bank, and Kyle Van Nort, "Sex Discrimination in Restaurant Hiring: An Audit Study," *Quarterly Journal of Economics*, 1996, 111:915-941

Additional References:

Claudia Goldin and Cecilia Rouse, "Orchestrating Impartiality: The Impact of 'Blind' Auditions on Female Musicians," *American Economic Review*, 2000, XL:715-742

Merianne Bertrand and Sendhil Mullainathan, "Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination," *American Economic Review*, Sept 2004, 94:991-1013

Genevieve Kenney and Douglas Wissoker, "An Analysis of the Correlates of Discrimination Facing Young Hispanic Job-Seekers," *American Economic Review*, 1994, 675-683

4. Production Functions

Burnette, "The Emergence of Wage Discrimination in US Manufacturing," 2011

Additional References:

Donald Cox and John Vincent Nye, "Male-Female Wage Discrimination in Nineteenth-Century France," *Journal of Economic History*, Dec. 1989, 49:903-920

Haegeland, Torbjorn, and Klette, Tor Jakob, "Do Higher Wages Reflect Higher Productivity? Education, Gender and Experience Premiums in a Matched Plant-Worker Data Set" in Haltwanger, Lane, Spletzer, Theeuwes, and Troske, eds., *The Creation and Analysis of Employer-Employee Matched Data*, Amsterdam: Elsevier, 1999, pp. 231-259.

Hellerstein, Judith, Neumark, David, and Troske, Kenneth, "Wages, Productivity, and Worker Characteristics: Evidence from Plant-Level Production Functions and Wage Equations," *Journal of Labor Economics*, July 1999, 17:409-446.

Jonathan Leonard, "Antidiscrimination or Reverse Discrimination: The Impact of Changing Demographics, Title VII, and Affirmative Action on Productivity," *Journal of Human Resources*, 1984, 19:145-174

5. Profitability

Judith Hellerstein, David Neumark and Kenneth Troske, "Market Forces and Sex Discrimination," *Journal of Human Resources*, 2002, 37:353-380

C. Women

Thomas Daymont and Paul Andrisani, "Job Preferences, College Major, and the Gender Gap in Earnings," *Journal of Human Resources*, Summer 1984, 19:408-428

Kristen Keith and Abigail McWilliams, "The Wage Effects of Cumulative Job Mobility" *Industrial and Labor Relations Review*, Oct. 1995, 49:121-137

Claudia Goldin and Lawrence Katz, "The Power of the Pill: Oral Contraceptives and Women's Career and Marriage Decisions," *Journal of Political Economy*, 2002, 110:730-770

Claudia Goldin, "The Rising (and then Declining) Significance of Gender" NBER, 2002

Jane Waldfogel, "Understanding the 'Family Gap' in Pay for Women with Children," *Journal of Economic Perspectives*, 1998, 12:137-156

Heidi Hartmann, "The Family as the Locus of Gender, Class, and Political Struggle: The Example of Housework," *Signs: Journal of Women in Culture and Society*, 1981, 6:366-394

Additional References:

Francine Blau, "Trends in the Well-Being of American Women, 1970-1995," *Jnl of Econ. Literature*, March 1998, XXXVI:112-165

Nachum Sicherman, "Gender Differences in Departures from a Large Firm," *Industrial and Labor Relations Review*, 1996, 49:484-505

Claudia Goldin, Lawrence Katz, and Ilyana Kuziemko, "Homecoming of American Women", *Journal of Economic Perspectives*, 2006, 20:133-156

Anne Beeson Royalty, "Job-to-Job and Job-to-Nonemployment Turnover by Gender and Education Level," *Journal of Labor Economics*, 1998, 16:392-443.

Anne Beeson Royalty, "The Effects of Job Turnover on the Training of Men and Women," *Industrial and Labor Relations Review*, 1996, 49:506-521

Martha Bailey, "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life Cycle Labor Supply," *Quarterly Journal of Economics*, Feb. 2006, 121:289-320

Dora Costa, "Power Couples: Changes in the Locational Choice of the College Educated, 1940-1990", *Quarterly Journal of Economics*, 2000, 115:1287-1315

Mark Aguiar and Erik Hurst, "Measuring Trends in Leisure: The Allocation of Time over Five Decades," *Quarterly Journal of Economic*, Aug 2007, 122:969-1006

Francine Blau and Lawrence Kahn, "Gender Differences in Pay," *Journal of Economic Perspectives*, 2000, 14:75-100.

Dora Costa, "From Mill Town to Board Room: The Rise of Women's Paid Labor," *Journal of Economic Perspectives*, 2000, 14:101-122.

D. African Americans

Robert Higgs, *Competition and Coercion: Blacks in the American Economy, 1865-1914*, Cambridge Univ. Press, 1977, Ch. 4

Melvin Oliver and Thomas Shapiro, *Black Wealth, White Wealth: A New Perspective on Racial Inequality*, Routledge, 1995

Derek Neal and William Johnson, "The Role of Premarket Factors in Black-White Wage Differences," *Journal of Political Economy*, 1996, 104:869-895

Goldsmith, Veum, and Darity, "The Impact of Psychological and Human Capital on Wages," *Economic Inquiry*, 1997, 35:815-829

Additional References:

- Lee Alston and Joseph Ferrie, "Paternalism in Agricultural Labor Contract in the US South: Implications for the Growth of the Welfare State," *American Economic Review*, 1993, 83:852-876
- Alston and Ferrie, "Labor Costs, Paternalism, and Loyalty in Southern Agriculture" *Journal of Economic History*, March 1985
- Roger Ransom and Richard Sutch, *One Kind of Freedom: The Economic Consequences of Emancipation*, Cambridge University Press, 2001
- William Sundstrom, "The Color Line: Racial Norms and Discrimination in Urban Labor Markets," *Journal of Economic History*, 1994, 54:382-396
- Robert Higgs "Firm-Specific Evidence on Racial Wage Differentials and Workforce Segregation" *American Economic Review*, 1977, 67:236-245
- Harry Holzer and David Neumark, "Equal Opportunity and Affirmative Action," in William M. Rogers III, ed., *Handbook on the Economics of Discrimination*, Edward Elgar, 2006.
- Francine Blau and Andrea Beller, 1992, "Black-White Earnings Over the 1970s and 1980s: Gender Differences in Trends," *Review of Economics and Statistics*, 74:276-286
- Knowles, Persico, and Todd, "Racial Bias in Motor Vehicle Searches: Theory and Evidence," *Journal of Political Economy*, 2001, 109:203-229
- John Yinger, "Evidence on Discrimination in Consumer Markets," *Journal of Economic Perspectives*, 1998, 12:23-40
- William Collins and Robert Margo, "Race and Home Ownership: A Century-Long View," *Explorations in Economic History*, 2001, 38:68-92
- Arthur Goldberger and Charles Manski, "Review Article: The Bell Curve by Herrnstein and Murray," *Journal of Economic Literature*, June 1995, 33:762-776.
- James Heckman, "Review: Lessons from the Bell Curve," *Journal of Political Economy*, 1995, 103:1091-1120
- Roland Fryer and Paul Torelli, "An Empirical Analysis of 'Acting White'", NBER Working Paper 11334, May 2005
- James Heckman and Brook Payner, "Determining the Impact of Federal Antidiscrimination Policy on the Economic Status of Blacks: A Study of South Carolina," *American Economic Review*, 1989, 79:138-177.

Date	Activity	Topic	Reading
Aug. 26		Case Discussion	
Theories of Discrimination			
29		Becker's Models	Becker, Ch. 1 – 3
31		Becker's Models	Becker, Ch. 4 – 6
Sept. 2		Other Theories	
5		Occupational Crowding	Bergmann
7	Meet in Detchon 109	Statistical Discrimination Game	
9	Work day, Lab 1		
Mechanisms of Discrimination			
12	Lab 1 Due	Self-Fulfilling Prophecies	Steele and Aronson
14		Labor Market Institutions and Gender	Niederle and Vesterlund
Measuring Discrimination			
16		Regression with Dummies	Hamermesh and Biddle
19	TEST ONE		
21		Oaxaca Decomposition	
23		Oaxaca Decomposition	Margo
26		Audit Studies	Neumark, Bank, & Van Nort
28	Lab 2 Due	Production Functions	
30		Production Functions	Burnette

Oct. 3		Profitability	Hellerstein, Neumark and Troske
Gender Discrimination			
5	Lab 3 Due	Women in the Labor Market	
7		Education	Daymont and Andrisani
10		Turnover	Keith and McWilliams
12		The Pill	Goldin and Katz
	FALL BREAK		
17		Rise of Wage Disc.	Goldin
19	TEST TWO		
21		Family Gap	Waldfogel
24		Family Gap	Hartmann
Discrimination Against African Americans			
26		African Americans in the Labor Market	
28		c. 1900	Higgs
31		Wealth	Oliver and Shapiro, Ch. 1–4
Oct. 2	Lab 4 Due Paper Topics Due	Wealth	
4		Wealth	Oliver and Shapiro, Ch. 5–7
7		Debating the AFQT	Neal and Johnson
9		Debating the AFQT	Goldsmith, Veum, and Darity
11	TEST THREE		
Research Paper			
14–18	Individual Appointments		
	THANKSGIVING BREAK		
28	Comps Review		
Nov. 30 – Dec. 9	Paper Presentations		
Dec. 15	RESEARCH PAPER DUE Noon		