

Queen's University

Department of Economics

Winter 2012

ECONOMICS 361
Income Distribution and Inequality
(Dunning Hall, Room 27)
(Monday, 10:00-11:30, Wednesday, 8:30-10:00)

Charles Beach
Dunning 231

This course will review recent evidence and their explanations on various aspects of income inequality and the distribution of personal income in Canada. The basic questions the course seeks to address are: (i) What has happened to standards of living, income inequality and poverty in Canada over the last twenty years?; (ii) Why do different people or groups receive very different levels of income and experience different standards of living?; and (iii) What can we infer about whether different groups and the country as a whole are economically better or worse off? The orientation of the course is basically applied microeconomics with a fair amount of labour economics and applied statistics thrown in.

Textbooks

Students should gain access to two items for the course. One is a package of course material (the first several chapters of a textbook being written for this course along with detailed lecture notes on the rest of the course) available in bound hard copy from the campus Publishing and Copy Centre in the John Deutsch University Centre. This should definitely be purchased by each student (ca \$25). The other item is the labour economics text:

Ronald G. Ehrenberg, Robert S. Smith and Richard P. Chaykowski, *Modern Labour Economics: Theory and Public Policy - Canadian Edition* (Pearson Addison-Wesley, 2004), available at the Campus Bookstore (for about \$140 or \$107 used). Since this is recommended rather than required, I'd suggest students doubling up and sharing purchase of this text book. Apparently, one can rent the book from the Campus Bookstore as well for \$75 (for 125 day rental).

The above has also been put on Reserve for the course at Stauffer Library.

Two recent labour economics textbooks that are also good and that I have put on Reserve as well are:

Dwayne Benjamin, Morley Gunderson, Thomas Lemieux, and W. Craig Riddell, *Labour Market Economics: Theory, Evidence, and Policy in Canada*, 6th Ed. (McGraw-Hill Ryerson, 2007).

George Borjas, *Labor Economics*, 3rd Ed. (McGraw-Hill Irwin, 2005).

Prerequisites and Grading

Students should be familiar with second-year microeconomic theory and introductory statistics, and with high school algebra and basic geometry.

The following formula will be used to determine grades:

2 Assignments: 30%
Midterm Exam: 20%
Final Exam: 50%.

Office Hours

I will have office hours (Dunning Hall 231) on:

Monday, 11:30 – 1:30

Wednesday, 10:00 – Noon

I am also often around at other times as well. I can also be contacted by e-mail at, beachc@econ.queensu.ca.

All components of this course will receive numerical percentage marks. The final grade you receive for the course will be derived by converting your numerical course average to a letter grade according to the Queen's Official Grade Conversion Scale (i.e., "numbers in, letters out").

Course Outline

Topics the course will cover include:

1. Background of distribution within economics.
2. Basic evidence on the distribution of income and income inequality.
3. Poverty and low incomes in Canada.
4. Labour income and human capital.
5. Ability, skills and earnings.
6. Other models of earnings determination.
7. Labour supply and work patterns.
8. Family background and intergenerational transfers.
9. Labour market discrimination.
10. Measurement of income inequality.
11. Changes in income inequality in Canada and alternative explanations.