

## Economics 349 (L01) (The Economics of Social Problems)

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### Course Outline:

This course will use the tools of economic analysis to contribute to our knowledge of various social problems in Canada. The emphasis will be on the so-called economic way of thinking, which emphasizes incentives and individual choices. Attention will also be given to carefully design empirical studies that connect social problems to explanatory variables. Using the economic model of the rational agent, we will explore how individuals behave in a social context. We will study how and when these actions may lead to social problems such as income inequality and poverty, crime, addiction, poor health, violence, and institutional instability. We will also evaluate the policies that are commonly proposed to deal with these problems.

Class participation is an important part of your learning experience. You should attend classes and be prepared to read the assigned material in advance in order to contribute to in-class questions and debates. Many of the questions that will come up in class have no clear cut response. Therefore, the point of the discussion is not to find the “right” answer but to be able to provide economic arguments to support your own view.

What you should expect to learn from this course is how to analyze social problems using economic models and empirical strategies, and to be aware of the pros and cons of the policy instruments that we use to solve them.

### Textbook(s):

There is no single textbook for this course. The basic materials will be covered in class. Below you will find a list of various textbook chapters and articles from which some of the lectures will be drawn. The readings with an asterisk (\*) are required readings. The journal articles are available as electronic downloads from the university library. The textbooks that are listed are all on reserve at TFDL. Additional readings may be posted on D2L.

**Topics and References**  
(Starred references are required readings)

The materials cited are the main sources from which the lectures are drawn.

1. Economic Perspectives on Social Problems
  - a. What is a “social problem”?
  - b. What is an “economic perspective”?
    - i. Assumption of rationality
    - ii. Econometric identification
2. Economics of Crime

General Background: Statistics and Concepts

- a. Teppermen, L. and J. Curtis (2007) Crime and Violence, Chapter 7 in *Social Problems: A Canadian Perspective*, 3<sup>rd</sup> ed. (Toronto: Oxford). This chapter provides Canadian statistics on crime and violence and provides a sociology perspective on crime.
- b. McCarthy, B. (2002) The New Economics of Sociological Criminology, *Annual Review of Sociology* 28: 417—442. This article by a sociologist explains the distinctive features of an economic approach. (\*)
- c. Eaton, B.C., D.F. Eaton, and D.W. Allen (2012) The Economics of Crime, Section 9.8 of *Microeconomics: Theory with Applications*, 8<sup>th</sup> edition (Toronto: Pearson), pages 331-333. This section provides an economics perspective on crime based on supply and demand.
- d. Sharp, A.M., C.A. Register, and P.W. Grimes (2008) Economics of Crime and its Prevention: How Much is Too Much? Chapter 5 in *Economics of Social Issues*, 8<sup>th</sup> edition (New York: McGraw-Hill Irwin). This chapter examines further the “optimal” level of crime and crime prevention activities and it analyzes the economic effects of making marijuana legal. (\*)
- e. Stonebraker, R.J. (2013) Crime: Costs and Benefits (blog: The Joy of Economics: Making Sense out of Life) [http://faculty.winthrop.edu/stonebrakerr/book/crime\\_overview.htm](http://faculty.winthrop.edu/stonebrakerr/book/crime_overview.htm). This is a webpage providing an application of the economics of crime based on work published by Stephen Levitt. (\*)

Game Theory and Dynamics of Crime

- f. Eaton, B.C., D.F. Eaton, and D.W. Allen (2012) Introduction to Game Theory, Chapter 15, pages 498-511 in *Microeconomics: Theory with Applications*, 8<sup>th</sup> edition (Toronto: Pearson). This portion of the chapter provides the basics of game theory. Elementary game theory will be explained in class.
- g. Cressman, R., W. Morrison, and J.-F. Wen (1998) On the Evolutionary Dynamics of Crime, *Canadian Journal of Economics* 31(5): 1101—1117. This paper uses game theory to explain cycles of crime and possible unexpected consequences from increased policing.
- h. Eaton, B.C. and J.-F. Wen (2008) Policy Myopia and the Instability of Equilibria, *Journal of Economic Behavior and Organization*, 65(3-4): 609—624. This paper shows that low crime equilibria can be unstable.

Empirical Studies

- i. Levitt, S.T. and T.J. Miles (2006) Economic Contributions to the Understanding of Crime, *Annual Review of Law and Social Science* 2: 147—164. This article summarizes the empirical literature on the economics of crime. (\*)
- j. Currie, J. and E. Tekin (2012) Understanding the Cycle: Childhood Maltreatment and Future Crime, *Journal of Human Resources* 47(2): 509—549. This is an empirical study on criminality.

## 3. Economics of Obesity

General Background: Statistics and Concepts

- a. Hurley, J. (2010) Individual-Level Demand for and Production of Health, Chapter 5 in *Health Economics* (Toronto: McGraw-Hill Ryerson), pages 132-141. This portion of the chapter introduces the “health capital model” used by economists to understand health outcomes. (\*)

Empirical Studies

- b. Cawley, J. The Economics of Obesity: New Tools for Examining a National Epidemic. Outreach and Extension, Department of Policy Analysis & Management, Cornell University.  
[http://www.human.cornell.edu/outreach/upload/CHE\\_PAM\\_EconomicsofObesity.pdf](http://www.human.cornell.edu/outreach/upload/CHE_PAM_EconomicsofObesity.pdf).  
This is a note summarizing recent empirical findings on the economics of obesity. (\*)

#### 4. Economics of Addiction

##### General Background: Statistics and Concepts

- a. Teppermen, L. and J. Curtis (2007) Addictions, Chapter 8 in *Social Problems: A Canadian Perspective*, 3<sup>rd</sup> ed. (Toronto: Oxford). This chapter provides Canadian statistics on addiction and provides a sociology perspective on addiction.
- b. Hurley, J. (2010) Health-Related Behaviors, Section 5.3 of *Health Economics* (Toronto: McGraw-Hill Ryerson), pages 146-153. This portion of the chapter discusses the “rational addiction” model and the idea of time-consistent preferences. (\*)

##### Empirical Studies

- c. Gruber and Koszegi (2001) Is Addiction "Rational"? Theory and Evidence, *The Quarterly Journal of Economics* 116 (4): 1261-1303. This paper discusses empirical evidence on the rational addiction model.
- d. Auld, C. and P. Grootendorst (2004) An Empirical Analysis of Milk Addiction, *Journal of Health Economics* 23(6): 1117—1133. This article by Canadian economists gives an application of the rational addiction model.

#### 5. Inequality, Poverty, and Discrimination

##### General Background: Statistics and Concepts

- a. Teppermen, L. and J. Curtis (2007) Class, Poverty, and Economic Inequality, Chapter 8 in *Social Problems: A Canadian Perspective*, 3<sup>rd</sup> ed. (Toronto: Oxford). This chapter provides statistics and measures relating to inequality and poverty in Canada, and it addresses issues of inequality and poverty from a sociology perspective.
- b. Sharp, A.M., C.A. Register, and P.W. Grimes (2008) Poverty and Discrimination, Chapter 7 in *Economics of Social Issues*, 8<sup>th</sup> edition (New York: McGraw-Hill Irwin). This chapter provides an introduction to the causes of inequality and poverty, as well as examining discrimination in the labour market. Several possible remedies for poverty and discrimination are analyzed. (\*)
- c. Sharp, A.M., C.A. Register, and P.W. Grimes (2008) Government Control of Prices in Mixed Systems, Chapter 3 in *Economics of Social Issues*, 8<sup>th</sup> edition (New York: McGraw-Hill Irwin): pages 78- 91 on Minimum Wages. This portion of the chapter introduces the economics of the labour market and applies the analysis to a minimum wages as a policy for dealing with low incomes. (\*)
- d. Fortin, N. D. Green, T. Lemieux, and K. Milligan (2012) Canadian Inequality: Recent Developments and Policy Options, *Canadian Public Policy* 38(2): 121—145. This article discusses recent trends on income inequality and the so-called top 1% versus the bottom 99%. (\*)

- e. The Conference Board of Canada (2012) “Hot Topic: Canadian Income Inequality: Is Canada Becoming More Unequal?” <http://www.conferenceboard.ca/hcp/hot-topics/caninequality.aspx>. This web-based article points to various policy changes that appear to have contributed to rising inequality in Canada. (\*)
- f. Wen, J.-F. and C. Garcia Medina (2014) Income Instability and Fiscal Progression, Working Paper, University of Calgary. This paper decomposes income variations into income inequality and income instability components and examines the erosion of social protection in Canada.
- g. Gonzalez, F. and J.-F. Wen (2015) A Theory of Top Income Taxation and Social Insurance, *The Economic Journal*, forthcoming. This article puts forward a theory of taxation using the theory of repeated games.
- h. Osberg, L. (2014) “What’s So Bad About More Inequality?” <http://myweb.dal.ca/osberg/classification/conference%20papers/More%20Inequality%20March%205%202014.pdf>. This paper discusses potential social and economic consequences of inequality.

#### Social Determinants of Health

- a. Hurley, J. (2010) The Social Determinants of Health, Section 6.2.1 of *Health Economics* (Toronto: McGraw-Hill Ryerson), pages 176-179. This section of the chapter connects health outcomes to income inequalities.
- b. Richard Wilkinson’s Ted Talk on Inequality: <https://www.youtube.com/watch?v=PWpMr82jnf8>. This Ted Talk is based on a major book that claims that inequality per se generates various bad outcomes such as worsened population health.

#### Empirical Studies

- c. Currie, J. and A. Alzer (2014) The Intergenerational Transmission of Inequality: Maternal Disadvantage and Health at Birth, *Science*, v344, (May): 856. This short piece examines the intergenerational transmission of inequality.
- d. Ontario Ministry of Labour (2014), Section 3: The Economic Impact of Minimum Wages: [http://www.labour.gov.on.ca/english/es/pubs/mwap/section\\_03.php](http://www.labour.gov.on.ca/english/es/pubs/mwap/section_03.php) This webpage summarizes the empirical findings on the economic effects of minimum wages. (\*)

### 6. Homelessness and Food Insecurity

#### Empirical Studies

- a. Emery, J.C.H. and R. Kneebone (2011) Homelessness in Alberta: The Demand for Spaces in Alberta’s Homeless Shelters, School of Public Policy Research Paper 4-13. <http://www.policyschool.ucalgary.ca/sites/default/files/research/homelessness->

alberta\_0.pdf. This article discusses trends in homelessness in Alberta. (\*)

- b. Emery, J.C.H., V.C. Fleisch, and L. McIntyre (2013) How a Guaranteed Annual Income Could Put Food Banks Out of Business, *SPP Research Papers* 6(37) (December). (\*) This article considers the impact of a Guaranteed Annual Income on food insecurity in Canada.
  - c. Sharp, A.M., C.A. Register, and P.W. Grimes (2008) Government Control of Prices in Mixed Systems, Chapter 3 in *Economics of Social Issues*, 8<sup>th</sup> edition (New York: McGraw-Hill Irwin): pages 73- 78 on Rent Controls. This portion of the chapter analyzes the effects of rent control as a means of assisting low-income groups. (\*)
  - d. Grimes, P.W. and G.A. Chressanthis (1997) Assessing the Effect of Rent Control on Homelessness, *Journal of Urban Economics* 41(1): 23—37. This article considers the statistical correlation between rent control and homelessness.
7. Delinquency and the Underclass
- a. Rabin, M. (1994) Cognitive Dissonance and Social Change, *Journal of Economic Behavior and Organization* 23: 177—194. This article explains the concept of cognitive dissonance and its usefulness for understanding economic behaviors.
  - b. Oxoby, R. (2003) Attitudes and Allocations: Status, Cognitive Dissonance, and the Manipulation of Attitudes, *Journal of Economic Behavior and Organization* 52(3): 365—385. This article uses the concept of cognitive dissonance to understand why some individuals choose to join a marginalized group in society.

8. Environment and Health

General Background: Statistics and Concepts

- a. Teppermen, L. and J. Curtis (2007) Health Consequences of Environmental Problems, pages 420-424, in Chapter 15 of *Social Problems: A Canadian Perspective*, 3<sup>rd</sup> ed. (Toronto: Oxford). These pages provide evidence that environmental problems have harmful health consequences.
- b. Sharp, A.M., C.A. Register, and P.W. Grimes (2008) Pollution Problems, Chapter 4 in *Economics of Social Issues*, 8<sup>th</sup> edition (New York: McGraw-Hill Irwin). This chapter provides an introduction to the economics of environmental problems and remedies. This chapter explains the core concept of externalities, which applies not only to pollution but also to other types of social problems. (\*)

Empirical Studies

- c. Currie, J., P. Nilsson, E Simeonova and R. Walker (2012) Congestion Pricing and Children's Health, working paper, Johns Hopkins University, <http://www.emiliasimeonova.com/>. This paper applies the health capital model in an empirical study connection air pollution and respiratory problems.
- d. Currie, J., J. Graff Zivin, J. Mullins, and M. Neidell (2014) [What Do We Know About Short- and Long-Term Effects of Early-Life Exposure to Pollution?](#), *Annual Review of Resource Economics*. This empirical study discusses the impacts of early-life exposure to pollution.

## 9. Violence Against Women

- a. Godefroy, R. (2014) How Women's Legal Protection from Physical Harm Affects Fertility: Evidence from Nigeria, mimeo, University of Montreal. This empirical paper uses a household bargaining model to explain a connection between women's legal protection, violence, and fertility.

## 10. Other Topics

**Grade Determination and Final Examination Details:**

Homework Assignments (2@ 10% each)	20%
Midterm - Feb. 26	30%
Class Participation	20%
Final Examination	30%

Homework assignments are due at the beginning of the lecture on the due date. **Late assignments will not be accepted.** You are welcome to work in small groups (2 or 3 students) and to hand in a group assignment. All students in the group will receive the same mark for that assignment.

**Class participation is required.** Required class participation will take the form of participation in forums and/or in-class quizzes. There is no make-up for in-class quizzes. These will make up 20% of your mark. In addition, the class format will introduce opportunities for students to participate in class. This type of in-class participation may be used by the instructor to increase (never to decrease) your grade at his discretion.

Tests and final exams are marked on a numerical (percentage) basis, then converted to letter grades. The course grade is then calculated using the weights indicated above. As a guide to determining standing, these letter grade equivalences will apply:

A+	95-100	B	73-76	C-	60-62
A	85-94	B-	70-73	D+	55-59
A-	80-84	C+	67-69	D	50-54
B+	77-79	C	63-66	F	0-49

A passing grade on any particular component of the course is not required for a student to pass the course as a whole. Non-programmable calculators WILL be allowed during the writing of tests or final examinations, but cell-phones are **strictly forbidden** during the writing of examinations.

**No deferred midterms will be given.** In case of **documented** illness or family emergency, the extra weight will be shifted to the final examination. The instructor should be *notified in advance whenever possible* if a student will be unable to write a midterm. In any case, documentation must be provided as soon as possible (within a day or so of the missed midterm).

There will be a Registrar scheduled final examination, lasting 2 hours.

Tests and exams WILL NOT involve multiple choice questions.

**Desire2Learn:** This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. The default is your University of Calgary e-mail address.

**Notes:**

- All students must comply with the regulations published in the University Calendar concerning “Intellectual Honesty,” “Examinations,” etc.
- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor *within fifteen days* of the work being returned to the class.
- It is the student's responsibility to request academic accommodations. If you are a student with a documented disability who may require academic accommodation and have not registered with the Disability Resource Centre, please contact their office at 403-220-8237. Students who have not registered with the Disability Resource Centre are not eligible for formal academic accommodation. You are also required to discuss your needs with your instructor no later than fourteen (14) days after the start of this course.
- Students who are unable to write the midterm because of an illness, family emergency or religious observance will have the midterm weight shifted to the final examination. Documentation **MUST** be provided.

Students' Union Vice-President Academic:

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Society of Undergraduates in Economics (S.U.E.):

[www.ucalgary.ca/sue](http://www.ucalgary.ca/sue)

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career partnerships with the Career Centre through hosting industry nights and information sessions, recognizing achievements in teaching, and organizing social events for members. They invite you to join by contacting [sue@ucalgary.ca](mailto:sue@ucalgary.ca).

*Faculty of Arts Program Advising and Student Information Resources*

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580 or email them at [artsads@ucalgary.ca](mailto:artsads@ucalgary.ca). You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.
- Online writing resources are available at <http://www.ucalgary.ca/ssc/resources/writing-support>

Safewalk/Campus Security: 403 220 5333  
Emergency Assembly Point: Social Sciences Food Court

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